As of 4 p.m. ET **DJIA** 10172.98 ▼ 2.09% **FTSE 100** 5302.99 ▼ 0.60% **Nikkei 225** 10590.55 ▼ 2.56% **Shanghai Comp.** 3128.59 ▼ 0.96% **Hang Seng** 20726.18 ▼ 0.65% **Sensex** 16859.68 ▼ 1.12% **S&P/ASX 200** 4750.61 ▼ 1.59%

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Japanese mayoral vote turns against U.S. military base

Kyodo via Associated Press

Susumu Inamine, center, celebrates with supporters Sunday night after Japanese media exit polls predicted he won a closely fought mayoral election in the small town of Nago on the island of Okinawa. Mr. Inamine is an opponent of a proposed U.S. military base on Okinawa, putting the controversial project in jeopardy and threatening further strain on relations between the U.S. and Japan. **Page 3.**

White House pushes hard for Bernanke

By Brent Kendall

WASHINGTON—White House officials and a leading Republican senator on Sunday expressed confidence that Ben Bernanke would be confirmed for a second term as Federal Reserve chairman, despite expressions of opposition from a growing number of lawmakers.

Mr. Bernanke, a former Bush administration official whose term expires on Jan. 31, has come under fire from some lawmakers over the Fed's handling of the economic crisis. While many officials and economists view Mr. Bernanke as having played a key role in staving off another economic depression, he has become a lightning rod for public anger over the bailout of the banking system and the U.S.'s continued high unemployment rate.

Among lawmakers, populist, antibank sentiment is running high, and erosion of support for Mr. Bernanke has crossed party lines. Two Democratic senators facing reelection in November, Barbara Boxer of California and Russ Feingold of Wisconsin, on Friday joined two Democrats and an independent who previously announced their opposition. Some Republicans said they, too, would oppose Mr. Bernanke.

The White House was pushing hard to persuade Democratic senators to support Mr. Bernanke, and on Sunday morning talk shows, administration officials said he had enough votes for another term. "We believe he will be confirmed," White House Press Secretary Robert Gibbs said on "Fox News Sunday."

White House adviser David Axelrod, speaking on CNN's "State of the Union," said that while "there is a great deal of concern about public consternation relative to the financial sector...Chairman Bernanke offered very strong and steady leadership during this crisis without which we also may have slipped into the abyss."

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Recovery hinges on exit strategies

By Marcus Walker

THE OUTLOOK

Massive interventions by governments and central banks are helping the world economy recover from the Great Recession. At some point, however, economies will have to remember how to walk without crutches.

Avoiding a bumpy ride could well depend on export-dependent countries, such as China and Germany, mending their ways, and on indebted U.S. consumers failing to do so.

When the global financial elite gathers at the Swiss ski resort of Davos this week for the World Economic Forum's annual gabfest, many will praise the surprisingly strong recovery. A year ago, the specter of global depression haunted Davos Man.

Today, short-term economic prospects look fair in the U.S., strong in Asia, and shakier but still positive in Europe.

The next two to five years could prove more challenging. Current upturns in consumption, investment, exports and asset prices depend on highly expansionary fiscal and monetary policies. Those supports come at a rising price. Gaping budget deficits in the U.S. and Europe are causing concern about the sustainability of public debts. Worries are also growing that central banks' ultra-low interest rates are inflating new asset-price bubbles around the world.

Ideally, policy would return to normal in time to avoid another financial crisis.

Much recent debate has focused on the timing of government "exit strategies." But the other half of the transition is just as important: How private-sector demand can wean itself off stimulus.

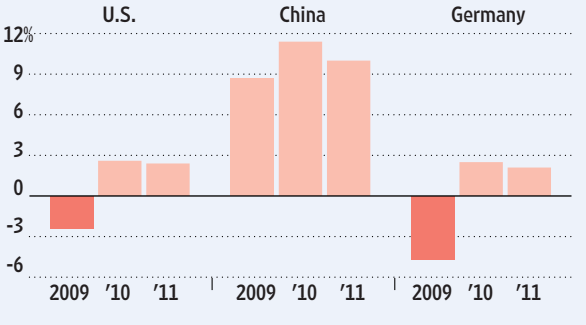
For example, global car sales can no longer rely on cash-for-clunkers incentives, which have expired in many countries.

If growth doesn't become self-sustaining soon, today's global bounce could give way to years of low growth at best, and renewed recession

Please turn to page 22

Uncertain recovery

Forecasts for real year-to-year GDP growth



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What's News—

* * *

Business & Finance

■ **The stock-market turmoil** last week is a reminder that the unprecedented stimulus that spurred 2009's rally will start to be pulled back this year. And given how big and global the stimulus was, a simple increase in U.S. interest rates isn't likely to be the spark that sets off the decline. **23**

■ **Bank of China aims to sell** billions of dollars in new shares, the first big Chinese bank to move aggressively to shore up capital after the sector's lending binge. **23**

■ **A court panel ruled** in favor of a U.S. taxpayer, saying UBS files on private-bank clients shouldn't be given to U.S. authorities. **28**

■ **IPOs for Chinese real-estate** broker IFM Investments, social-networking site operator FriendFinder and solar-panel maker Daqo New Energy come amid fundamental business questions. **28**

■ **Fujitsu appointed** Masami Yamamoto as its next president, as the Japanese computer maker seeks to transform itself into a technology-services company. **25**

■ **Macquarie Infrastructure's** plan to split into two separately listed companies, potentially freeing up the toll-road group's most valuable assets for takeover, was approved by investors. **24**

■ **Russian aluminum giant Rusal** raised $2.24 billion by pricing its Hong Kong and Paris dual IPOs at a premium to its peers. **26**

■ **Reliance Industries said** profit gained 16% on higher production at its natural-gas field on India's east coast and a near doubling of export revenue. **26**

■ **Bharti Airtel's profit rose 2.4%** as favorable currency-exchange rates helped offset competition in the Indian telecom sector. **26**

■ **GE's profit fell 19%**, hurt by its finance arm and NBC Universal. But the conglomerate said it could return to growth and potentially boost its dividend by 2011. **27**

■ **McDonald's earnings rose 23%** as it increased same-store sales across all regions despite the economic downturn. **27**

■ **Greece's debt problems** have boosted interest in Portugal's 2010 budget plan, which international investors will study for signs of similar fiscal frailty. **29**

* * *

World-Wide

■ **Al Qaeda leader** Osama bin Laden issued a new audio message claiming responsibility for the Christmas Day bombing attempt of a Detroit-bound airliner and vowed further attacks.

■ **An opponent** of a proposed U.S. military base on the Japanese island of Okinawa won a mayoral election, putting the project in jeopardy. **3**

■ **Ichiro Ozawa**, a top official in Japan's ruling party, professed his innocence and vowed to stay in his job, following a grilling by prosecutors in a criminal probe over his political finances. **4**

■ **A Chinese agency** that handles Internet security issues said it hasn't received any details from Google regarding a series of cyber attacks the company believes originated in China. **4**

■ **The Afghan government** postponed parliamentary elections until September, bowing to pressure from foreign backers who fear a reprise of the fraud-tainted presidential contest in the fall. **6**

■ **U.S. Defense Secretary Gates** was questioned in Islamabad about rumored U.S. plots to seize Pakistan's nuclear arms. **6**

■ **Indonesian police said** gunmen attacked a convoy of buses near the Freeport gold mine in Papua province, injuring seven people.

■ **Cambodia's military said** troops clashed with Thai soldiers near a temple that lies along a disputed part of their border.

■ **India issued a security alert** to all airports and airlines following intelligence reports of two possible assaults in the air.

Agence France-Presse/Getty Images

The confirmed death toll from Haiti's earthquake has topped 150,000 in the Port-au-Prince metropolitan area alone, the country's communications minister said Sunday, with many more thousands dead around the country or still buried under the rubble. Experts said chances are slim that more survivors would be found, although rescuers pulled a man buried for 11 days in the wreckage over the weekend. Above, Haitians shop at a makeshift market on a road in Port-au-Prince on Sunday. **Related articles, pages 8 and 16.**

ONLINE TODAY

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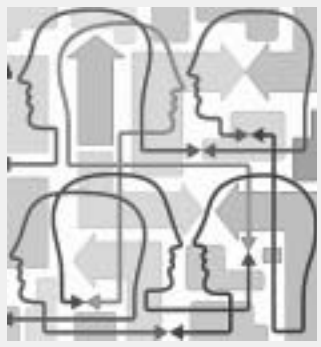

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WORLD NEWS

Japan mayoral vote rejects U.S. base

By Alison Tudor and Yuka Hayashi

TOKYO—An opponent of a proposed U.S. military base on the southern Japanese island of Okinawa won a closely fought mayoral election Sunday, putting the project in jeopardy and threatening to further strain bilateral relations between the allies.

The election, in the small rural town of Nago was a de facto referendum on a plan by the U.S. government to adjust American military positioning in Okinawa, shifting resources away from heavily populated areas of the island to a more rural portion.

The incumbent mayor, Yoshikazu Shimabukuro, had accepted the plan, while his successful opponent, Susumu Inamine, campaigned against him largely over the base issue. "This election means that we will not allow construction of the new military camp," Mr. Inamine said in declaring victory.

Mr. Inamine, won 17,950 votes against Mr. Shimabukuro's 16,362 votes, according to the town hall's Web site.

Washington had reached agreement on the plan with the previous Japanese government. But the current Japanese prime minister, Yukio Hatoyama, who took office in September, has expressed reluctance to go ahead with the deal, saying repeatedly he wanted to "hear the voices of people of Okinawa." He has said he would make a final decision on the project in May.

Sunday's election doesn't necessarily kill the plan. The governor of Okinawa and the national government could continue with the project over the objections of the community. But the vote will make it more difficult politically for Mr. Hatoyama to accept U.S. demands.

The Obama administration has been putting steady pressure on Mr. Hatoyama over the past few months to stick to the agreement.

"The victory by the mayoral candidate opposing to host the new facility will naturally have a gravely negative impact on the existing plan," said Hitoshi Tanaka, a former foreign-ministry official who has advised Mr. Hatoyama recently, and who is currently a senior fellow at the Japan Center for International Exchange, a Tokyo-based think tank.

Associated Press/Kyodo News

Incumbent Yoshikazu Shimabukuro

Finding an alternative location will be "extremely difficult" for Mr. Hatoyama's government, he said, adding: "We spent the last 13 years looking, but weren't able to find any such place."

Of the 33,000 U.S. troops stationed in Japan, around 21,000 are currently on Okinawa. The island's people have depended on U.S. bases to provide jobs and spur their economy. But they have also borne costs, including a 2004 helicopter crash at an island university and the 1995 rape of a local schoolgirl by three U.S. servicemen.

The U.S. has been struggling since those incidents to find a way to maintain its military presence in Japan while making its forces appear less intrusive, particularly in heavily populated areas of the country.

The 2006 accord that was the focus of Sunday's mayoral vote involves building a new U.S. Marine facility outside Nago in exchange for closing a helicopter base located in an urban area. Nago is home to the Marine Corps' Camp Schwab; the 2006 plan calls for building a large V-shaped runway adjacent to it.

But the new national government, led by the Democratic Party of Japan, put the plans on hold. Mr. Hatoyama has said he wanted to see the result of the Nago election before making a decision on whether to go ahead with the relocation.

The base issue has long divided this town of 60,000. A majority of its voters in a 1997 referendum rejected an airfield plan. Since then, three mayors favoring the facility have won elections.

Supporters of hosting the new facility said the local community would continue to receive generous financial compensation.

Tokyo, as part of its agreement to build the airfield, has pumped $900 million into Nago's economy to fund everything from a tax haven for financial back-office operations to a dolphin theme park.

The victor in Sunday's vote, Mr. Inamine, campaigned on a platform of wanting to encourage more tourism in Nago instead of counting on aid from Tokyo.

The area has become a destination for mainland tourists who dive on its coral reefs and trek in its tropical forests.

The waters off Camp Schwab are a feeding ground for dugongs, a marine animal related to manatees, that are in danger of extinction in Japan. Opponents of the new base say it would threaten that habitat.

—Makiko Segawa contributed to this article.

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WORLD NEWS: ASIA

Ozawa is questioned in funds probe

Top official in ruling party professes innocence after long session with prosecutors, capping week of DPJ defiance

By Kazuhiro Shimamura And Yuka Hayashi

TOKYO—Ichiro Ozawa, a top official in Japan's ruling party, professed his innocence and vowed to stay in his job, following a 4½ hour weekend grilling by prosecutors in a criminal probe over his political finances.

"I have nothing to hide and told them all the truth I could remember," Mr. Ozawa said in brief a news conference here Saturday night. Asked about the possibility of stepping down from his position, Mr. Ozawa, the secretary-general of the Democratic Party of Japan, said: "I want to fulfill the responsibilities given to me in my job."

Mr. Ozawa, the chief electoral strategist for Prime Minister Yukio Hatoyama, said he was asked by prosecutors about a plot of land his personal political fund purchased and about records of his political funding during the questioning at a Tokyo hotel.

Mr. Ozawa hasn't been arrested or charged. He has said there may have been inadvertent errors in his records but has denied any wrongdoing.

Japanese media have reported that the prosecutors are investigating whether the funds for the purchase came from illegal donations from construction companies, and whether Mr. Ozawa or his aides had intentionally failed to follow the law in reporting the funds as contributions.

The questioning came a week after prosecutors arrested three of Mr. Ozawa's close associates over alleged falsification of funding records. Those detained include a member of parliament and Mr. Ozawa's former secretary, who were accused of failing to record 400 million yen ($4.4 million) used to purchase the Tokyo land. Another secretary faces other charges related to the funding organization.

Mr. Ozawa said the 400 million yen was his personal money and he has no direct involvement in the actual transaction or record-keeping, as in any other cases of his political-fund management.

"It is not a kind of money that I need to keep secret," Mr. Ozawa said.

The widening investigation of the ruling party's top official and election strategist could deal a serious blow to Mr. Hatoyama's government in the run-up to elections scheduled for this summer. It has invited attacks from opposition parties in budget deliberations in Diet and is pulling down public support for Prime Minister Hatoyama's cabinet.

Approval ratings in local media polls for the administration dropped to below 50% following the associates' arrest, sinking from as high as 80% four months ago when the DPJ came to power.

Mr. Ozawa is credited for the DPJ's rise to power after a half-century of nearly continuous rule by the Liberal Democratic Party. Following weeks of resistance and defiant public comments from Mr. Ozawa, the time during which popular support had dropped sharply, he consented to the voluntary questioning, senior government officials said.

Reuters

DPJ Secretary-General Ichiro Ozawa attends party event in Hiroshima Sunday.

At the same time, Mr. Ozawa's political allies have continued to escalate a confrontation with prosecutors, whom they accuse of unfairly going after their party's leading political strategist.

Last weekend, prosecutors arrested two Ozawa aides on suspicion of violating political-funds rules.They also arrested Tomohiro Ishikawa, a member of Japan's lower house of parliament, who was an aide to Mr. Ozawa when the alleged irregularities began in 2004.

Lawmakers from the ruling party, including Mr. Hatoyama, have made comments that appeared to criticize prosecutors' investigation. During the week, opposition lawmakers and the Japanese media countered by putting Mr. Hatoyama on the defensive for his remarks.

On Thursday, the prime minister said he hoped the probe wouldn't result in an indictment of Mr. Ishikawa. Mr. Hatoyama took back the comment Friday amid criticism he was "interfering" with the investigation. Earlier, he caused a stir after he urged Mr. Ozawa "not to give in and to prove his innocence."

In a move aimed at monitoring prosecutors' investigations more closely, lawmakers from Mr. Hatoyama's party are preparing to submit to parliament a bill that will require prosecutors to record all their questioning of suspects.

Meanwhile, DPJ parliament members who were elected with Mr. Ishikawa in 2005 have formed a group to investigate his arrest.

Saturday's interrogation was Mr. Ozawa's first direct questioning by prosecutors, though he has been close to scandal for much of his political career. Mr. Ozawa, 67 years old, entered parliament more than 40 years ago and was mentored by Kakuei Tanaka, the Japanese prime minister convicted in the 1970s of taking bribes from **Lockheed** Corp. He also was a close associate of Shin Kanemaru, a powerful behind-the-scenes leader arrested in 1993 for corruption and tax evasion.

Mr. Ozawa wasn't personally implicated in any of those matters, though opponents often criticize his former ties.

The new scandal has been a blessing for the LDP, the conservative party Mr. Ozawa helped to run for years under Messrs. Tanaka and Kanemaru, before leaving to help foster a two-party system in Japan. With Mr. Ozawa's help, the long-ruling LDP was ousted last year.

The LDP turned the new session of parliament, which started this week, into a forum for criticizing Mr. Hatoyama's handling of the matter, while trying to discredit Mr. Ozawa.

"When we were being accused in various scandals in the past, we never attacked prosecutors and the media in such a naked manner," said Fukushiro Nukaga, a senior LDP lawmaker and former finance minister. "The DPJ has no understanding of their responsibility and position as the ruling party."

China hits back at the U.S. on Net freedom

By Peter Spiegel And Aaron Back

The strained relationship between Beijing and the U.S. took a hit Friday as China accused the Obama administration of leveling "groundless charges" after allegations that Chinese hackers penetrated computer systems of dozens of U.S. companies, including **Google** Inc.

Chinese Foreign Ministry spokesman Ma Zhaoxu insisted the Internet was open in China and warned the U.S. should "properly handle differences" over the issue or risk damaging bilateral relations.

"We urge the U.S. side to respect the facts, and to stop using the so-called Internet freedom issue to make groundless charges against China," Mr. Ma said in a statement.

Beijing's sharp comments came after Secretary of State Hillary Clinton named China, among other countries, as having stepped up Web censorship. She called on Beijing to investigate Google's claims that China had stolen intellectual property and hacked into email accounts of human-rights activists.

The agency that handles China's Internet security issues said it hasn't received any details from Google to support the company's allegations. An official of the National Computer Network Emergency Response Technical Team/Coordination Center of China in an interview with the state-run Xinhua news agency published Saturday called allegations of such attacks "groundless and unprofessional."

Associated Press

A Chinese official installs a surveillance camera in an Internet cafe Saturday in Suining, in Sichuan province.

The Chinese comments come amid increasing signs of tensions between China and the U.S. on a wide range of Obama administration priorities, including climate change, economic-recovery measures, and perhaps most importantly in the near term, sanctions on Iran.

"The relationship has headed quite a bit south since President Obama's trip to China—lots of new frictions, a more intransigent attitude on the part of the Chinese," said Nicholas Lardy, a China-U.S. relations expert at the Peterson Institute for International Economics.

No issue could more complicate President Barack Obama's ambitious agenda to reshape American foreign policy than Beijing's attitude toward Iran, a key oil supplier to China.

In recent months, the administration has engaged in a public campaign to woo Russian leaders, particularly President Dmitry Medvedev, into backing a new round of sanctions against Iran for Tehran's failure to respond to Western proposals to curtail its nuclear ambitions.

U.S. officials acknowledge they may have more difficulty winning over Beijing than Moscow; Russia has weakened its economic ties to Iran over the past decade and shown increasing annoyance at Tehran's refusal to accept a Russia-backed plan to export Iranian uranium for enrichment before sending it back for medical use.

Dennis Ross, the U.S.'s point man on Iran issues, is expected to go to Beijing this week to discuss Iranian issues with Chinese officials, according to people briefed on the trip.

Separately, **Lenovo Group** Ltd. said its new smart phone using Google's Android platform is on track to be launched in May in China, and the U.S. search-engine giant's spat with China won't affect its operations. Lenovo, China's biggest personal computer maker by shipments, has traditionally focused on the PC market for growth but is now joining other PC makers to launch mobile devices in a move to diversify into other areas and boost margins. Executives said Lenovo plans to launch "LePhone" in China first and then in foreign markets.

Since Google's statement earlier this month that it would no longer censor its Chinese Web site even if that meant halting operations in the country, many have been concerned about handset vendors' ability to supply Android-based phones in China.

Google said earlier this month that it is delaying the China launch of two cellphones made by Samsung Electronics Co. and Motorola Inc. that use its operating system.

—Jay Solomon and Lorraine Luk contributed to this article.

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Vishwanath Tirupattur
Michael Tobin
Alex Tolstykh
Hozefa Topiwalla
Scott Tucker
Thomas Tulp
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Brian V. Uy
Joseph Vaccarino
Vanessa Vanacker
Vincent Van Heyste
Cuneyt Varol
John C. Varrone
Juan Jose Vicente Alvarez
Judy Vider
Charlie Visconsi
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Afghanistan delays election

Move follows concerns of foreign backers who want to avoid another fraud-tainted vote

By Alan Cullison And Habib Zahori

KABUL—The Afghan government said it will postpone parliamentary elections until September, bowing to pressure from foreign backers who fear a reprise of the fraud-tainted presidential contest in the fall.

Afghanistan's election commission cited lack of funding and security as a reason for the delay. The government is asking international donors to ante up about $50 million of the estimated $120 million cost of the elections, which were originally scheduled for May.

Afghanistan "can't hold any election unless its budget is approved by donors," said a spokesman for Afghanistan's Independent Election Commission, the IEC.

With about 40,000 North Atlantic Treaty Organization troops arriving in the country in the coming months, officials also are hoping for an improvement in security by summer, the spokesman said.

Vote fraud in last year's presidential elections was a serious irritant to relations between President Hamid Karzai's government and NATO partners, whose troops endured heightened attacks in the run-up to voting.

So far this year, Taliban attacks have shown no sign of ebbing, and over the weekend five U.S. soldiers were killed, bringing the number of NATO deaths so far this year to 38, already surpassing the 25 killed during the whole of January last year.

Opponents of Mr. Karzai have also favored a delay in parliamentary elections and are hoping international donors will force Mr. Karzai to shuffle the Afghan election commission, whose objectivity was questioned during fraud investigations into the presidential vote.

Reuters

A displaced Afghan man from Helmand province carries his grandchild in Kabul on Sunday.

Lately parliament has shown stiffer opposition to Mr. Karzai, and earlier this it month rejected most of his cabinet choices, alleging that the candidates were chosen out of political favoritism.

If parliamentary elections were tainted by allegations of vote fraud, it would "have repercussions beyond our imaginations," said Haroon Mir, co-director of the Afghanistan Center for Research and Policy Studies. Parliament, he said, "is not ready for elections."

Coalition members have said they want to devote a large chunk of their new troops to training Afghan security forces to take on the Taliban independently. But the Afghan army remains undersized for the fight, and the Afghan police force riddled by low morale and a high desertion rate.

Three of the U.S. troops killed over the weekend died from improvised explosive devices, known as IEDs. On Sunday Mr. Karzai's government revealed details of its plans to stop the import of ammonium-nitrate fertilizers, which when mixed with other ingredients make up a majority of the IEDs today.

The question now, though, is whether Afghan border police and customs officers can execute his orders. Diplomats argue that the outcome will be a test of not just the Taliban insurgency, but also the Afghan government's functionality.

Afghanistan has twice enacted bans on ammonium-nitrate fertilizer—once in 1966 by King Zahir Shah and again in 2005 by Mr. Karzai himself. Neither ban had much effect, according to officials, and the order of four years ago was so little-understood that Afghanistan's customs department never knew of its existence.

Today, Afghan and coalition officials insist that the situation is different, as some international financial support and training have begun to seep into security structures. At a joint press conference, officials from a half dozen ministries said they have been laying plans since September for a coordinated response to the fertilizer problem.

In coming weeks, international donors will begin training border officials to detect ammonium-nitrate shipments into the country, said Gul Maqsood Sabit, deputy finance minister for customs and revenues. "This is going to be successful because it's a combined effort, unlike the others," he said.

Karzai bans key bomb ingredient

By Alan Cullison And Yaroslav Trofimov

KABUL—The Afghan government banned ammonium nitrate fertilizers, the key ingredient of roadside bombs that have emerged as the deadliest weapon used by Taliban fighters against NATO troops in Afghanistan.

The North Atlantic Treaty Organization, which has been seizing the fertilizer since the summer, has identified the primitive, fertilizer-packed roadside bomb as the weapon of choice of Taliban insurgents. Commanders say it could be as crucial to the Taliban as the surface-to-air missile was to the mujahedeen warriors in their fight in the 1980s against the Soviets.

Troops have been discovering ever-larger caches of the fertilizer in recent months—a possible clue, NATO officials say, that militants plan to use the material as a centerpiece of their strategy this year. The Taliban have used improvised explosive devices, or IEDs, with increasingly deadly effect as the insurgency has picked up steam and the militants have become more sophisticated in their execution. IEDs killed 21 of the 33 of the coalition troops who died in the first weeks of January. Almost all of the bombs were made from nitrate fertilizer.

President Hamid Karzai, in a decree issued Friday, banned the use, production, storage or sale of ammonium nitrate, and gave Afghans 30 days to turn over any supplies to authorities. He also ordered government ministries to "train and equip Afghan police and custom officers within one month to detect and confiscate" any of the fertilizer in the country or at its borders.

While the ban won't eliminate fertilizer bombs, it will likely cut their use. Properly mixed with fuel, nitrate fertilizer can make an explosive as powerful as TNT, and has long been used in industry and by terrorists and bomb makers throughout the world.

Timothy McVeigh used a 600-pound ammonium nitrate bomb, mixed with fuel, to destroy the federal Alfred P. Murrah Building in Oklahoma City in 1995, killing 168 people. Last year, Pakistan banned the fertilizer in its Northwest Frontier province, a center of Islamist resistance.

NATO estimates that as little as 5% of the nitrate fertilizer entering Afghanistan goes to legitimate use. Pakistan, which operates two large fertilizer plants, is the biggest provider, although Iran and China are also "significant suppliers," according to a briefing delivered last month by Maj. Gen. Michael Flynn, who is in charge of intelligence gathering in Afghanistan.

Fertilizer's use as a bomb material has grown in importance in Afghanistan, and today 80% to 90% of the roadside bombs contain ammonium nitrate, the report said. The simplicity of the fertilizer bomb, packed into everything from pipes to drums to pressure cookers, has helped it surpass conventional military mines the Taliban used in the first years of the U.S.-led war.

The bombs have also gotten bigger. Gen. Flynn's report said that the proportion of big bombs—25 pounds or more—has "dramatically increased." Many are now large enough to overcome NATO's heavily armored vehicles—even the supposedly mine-resistant 20-ton Mine Resistant Ambush Protected troop carriers, officials say.

If successful, choking off nitrate fertilizer could winnow the death toll in Afghanistan's southern provinces of Kandahar and Helmand, where more than one-third of total casualties have been inflicted on NATO troops since the beginning of the war. The region remains a center of poppy production.

In the volatile Zharay district of Kandahar province, a Taliban stronghold straddling the highway from Helmand, American soldiers regularly come under attack from IEDs, most of them based on ammonium nitrate.

The bombs come in all shapes and sizes: from jugs and pipes filled with the deadly powder that are placed in the path of foot patrols or hidden in trees, to the giant 1,200-pound bombs placed in culverts or buried in the dirt that rip apart armored vehicles.

Earlier this month, a series of IEDs killed four soldiers with the 1st Battalion.

U.S. official aims at rumors in Pakistan

By Yochi J. Dreazen

ISLAMABAD—U.S. Defense Secretary Robert Gates, visiting Pakistan last week to promote greater cooperation with the U.S. in fighting Islamic insurgents, faced an unusual foe: the pervasive conspiracy theories that fuel anti-American sentiment here.

In virtually all of his public and private meetings here Thursday and Friday, Mr. Gates was questioned about rumored U.S. plots to seize Pakistan's nuclear weapons and build permanent American military bases in the country.

In answering them, he may have doused some suspicions, but inadvertently fueled others—underscoring the complexity of Mr. Gates's effort to forge closer military ties with Islamabad.

The Obama administration has been on a long campaign to persuade Pakistan to abandon its preoccupation with India and instead devote new military resources to the fight against the country's extremists.

But the widespread belief that the Obama administration is secretly conspiring against Pakistan has made that argument a much harder sell.

Mr. Gates took direct aim at the rumors in a speech Friday at Pakistan's National Defence University. Looking out over a crowd of senior Pakistani military officers, the defense chief said Islamic extremists were trying to foment public hostility toward the U.S. through an "organized propaganda campaign" of deliberate falsehoods.

"Let me say, definitively, the U.S. does not covet a single inch of Pakistani soil," Mr. Gates said. "We seek no military bases and we have no desire to control Pakistan's nuclear weapons."

Mr. Gates acknowledged in his remarks that there was a "very real ... trust deficit" separating the U.S. and Pakistan. "That has made it more difficult for us to work together to confront the common threat of extremism," he said.

Mr. Gates used his two-day trip here to repeatedly praise Pakistan for its offensive into the militant haven of South Waziristan and encourage the country's leadership to mount similar assaults against other insurgent strongholds.

To aid that effort, Mr. Gates said Friday that the U.S. will give Pakistan 12 Shadow drones, which carry cameras and other surveillance equipment but aren't capable of firing missiles at targets.

Senior U.S. officials signaled months ago that they were amenable to Pakistan's longstanding request for aerial drones. Mr. Gates's comments Friday marked the first formal confirmation that American drones would be given to Pakistan for the country's own use.

Mr. Gates also told reporters here that the Taliban are part of Afghanistan's "political fabric," an indication of the administration's willingness to accept the Islamist group playing a potentially central role in Afghanistan's future.

The defense chief said the U.S. supported the Afghan government's new outreach effort to the Taliban and held the door open for the Taliban to join Afghanistan's political process if the organization accepted Kabul's legitimacy and took other moderating steps.

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WORLD NEWS

China replaces Haiti peacekeepers

By Shai Oster

BEIJING—China flew out four peacekeepers to Haiti on Sunday to replace those killed during the earthquake, state media reported, as the country continued a campaign to unify support behind increasing overseas involvement.

One Haitian's quest

■ Tracking a man's quest to save his family back home 16-17

The peacekeepers were on board a plane carrying 40 medical personnel and additional medical supplies valued at 18 million yuan ($2.6 million), state-run Xinhua news agency reported.

China has now sent 48 million yuan of supplies to the Caribbean country, plus cash aid of $3.6 million, as part of what has been described by state media as one of the country's biggest overseas aid efforts. Shortly after the earthquake struck, China dispatched a 60-member search-and-rescue team.

The four peacekeepers were buried in the rubble along with four officials of the Chinese Ministry of Public Security who were visiting.

Over the past several days, as the world's attention has focused on images of death and destruction in Haiti, China has been consumed with public grieving over its own casualties, who have been hailed as national martyrs.

The coffins of the eight, draped in national flags, were driven in a funerary motorcade on Wednesday from the airport through Tiananmen Square to Babao Shan cemetery, were many of China's most famous heroes are buried. The rare display of public mourning was broadcast live on national television.

The nine highest-ranking members of the politburo, topped by China's president and Party General Secretary Hu Jintao, paid their condolences. Front-page newspaper stories and lengthy television specials on the Chinese losses rivaled coverage of the quake itself.

Eight million people sent virtual flowers to an online commemoration sponsored by the Ministry of Public Security.

Reuters

Policemen bow at a funeral in Beijing for Chinese peacekeepers killed in Haiti.

It isn't the first time Chinese peacekeepers have died in the line of duty. Since 1990, eight other Chinese working with U.N. peacekeeping forces have been killed, according to state media reports.

While this is the most killed at one time, the huge response—including a commemorative song by Hong Kong kung fu movie star Jackie Chan called "To Welcome You Home"—suggests China's government wants to send a broader message to the country.

The government may be preparing Chinese citizens for the mounting body count that will be the inevitable cost of a rising profile in international humanitarian and peacekeeping missions.

"China is using the high-level funeral for the eight peacekeepers for the domestic audience," said Zhu Feng, a leading scholar of international relations at Peking University, according to state media. "This will let all Chinese people better understand peacekeeping activity overseas and show respect to the sacrificed people."

The ceremony also offered an opportunity for leaders to consolidate support for increasing overseas entanglements.

As China expands its overseas commercial interests, it will have to project power to protect them. Two Chinese engineers working in Afghanistan were kidnapped by the Taliban in recent weeks.

"The high reverence bestowed in this case is also a signal of support for military operations overseas, and provides an opportunity for leaders to demand unity at the top and in the nation at large for China's rise," said Russell Leigh Moses, dean of the Beijing Center For Chinese Studies.

—Bai Lin in Shanghai contributed to this article.

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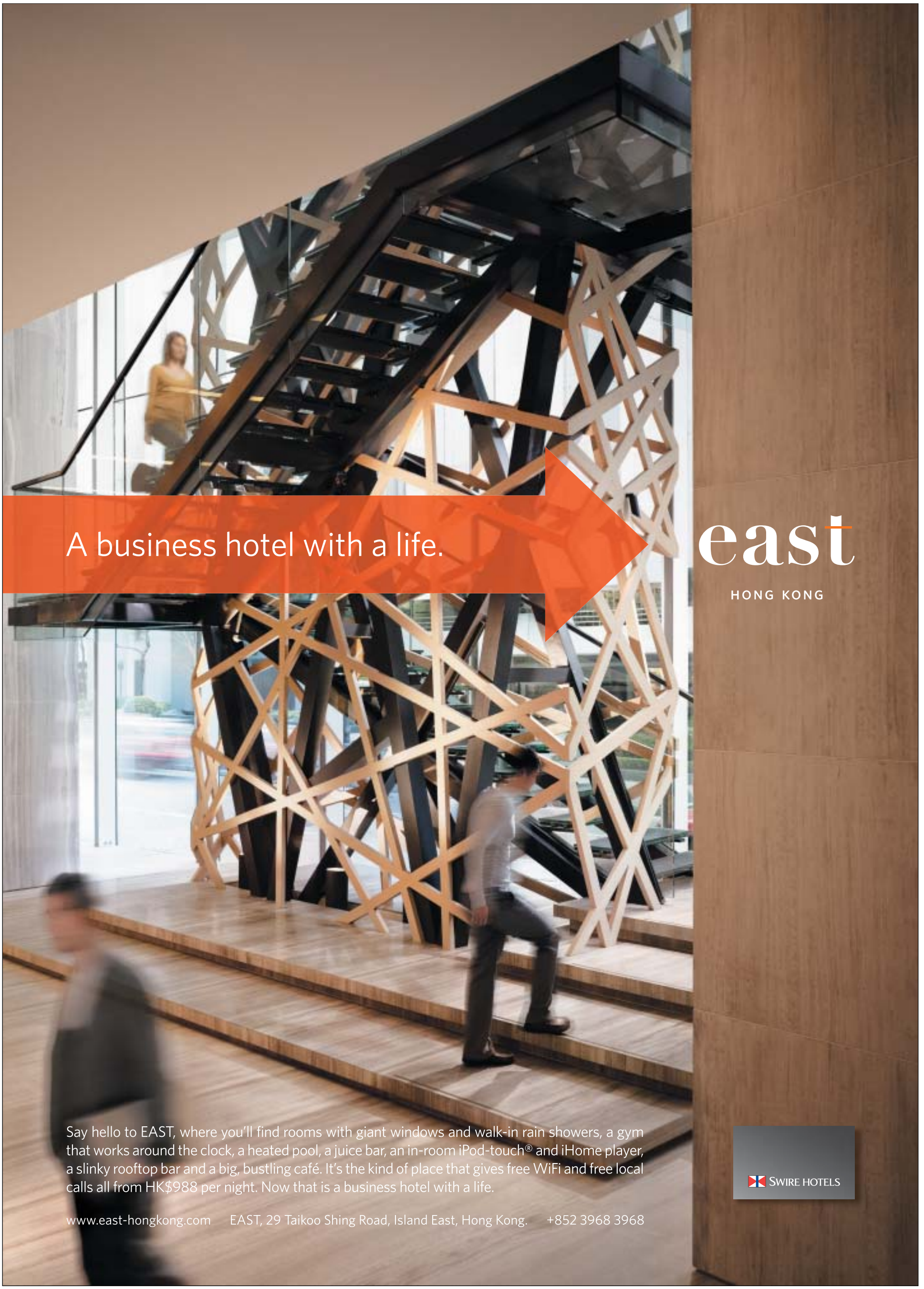
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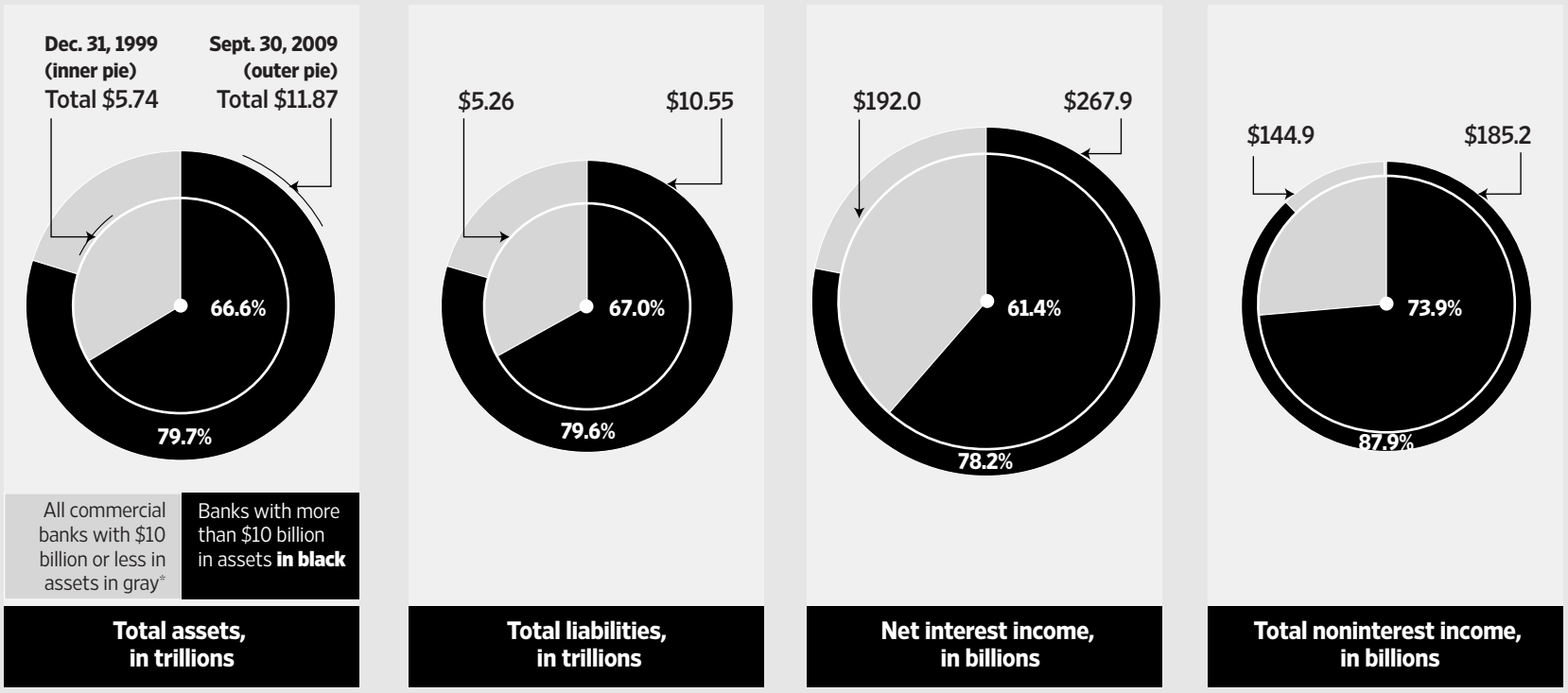

*Reporting to the FDIC

Source: Federal Deposit Insurance Corp.

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盛高置地（控股）有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 0337)

NOTICE TO BONDHOLDERS

RMB1,158,000,000 AGGREGATE PRINCIPAL AMOUNT OF USD SETTLED ZERO COUPON CONVERTIBLE BONDS DUE 2012 CONVERTIBLE INTO ORDINARY SHARES OF SPG LAND (HOLDINGS) LIMITED (THE "BONDS"), WHICH ARE LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

All the terms used in this notice and not otherwise defined herein shall have the meanings assigned to them in the terms and conditions of the Bonds (the "Conditions").

This notice is given to the Bondholders pursuant to Conditions 8(D) and 17 of the Conditions. **NOTICE IS HEREBY GIVEN** as follows:

1. That the Bondholders may exercise their option to require the Company to redeem all or some only of such Bondholders' Bonds on the Put Option Date (namely 27 April 2010) at the US Dollar Equivalent of their Early Redemption Amount as at the relevant date fixed for redemption
2. Conversion Price as of the date of this notice: HK$7.62
3. Conversion Period: At any time on or after 7 June 2007 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the 14th day prior to the Maturity Date (namely 27 April 2012) (both days inclusive) (but, except as provided in Condition 6(A)(iv), in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or 8(E) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice
4. Closing Price of the Share as at 21 January 2010: HK$4.27
5. Aggregate principal amount of the Bonds outstanding as at 21 January 2010: RMB889,600,000
6. Date for redemption: 27 April 2010
7. Early Redemption Amount in respect of each RMB100,000 principal amount of Bonds: RMB106,942.72 (USD Dollar Equivalent as at 21 January 2010: USD15,644.21)
8. Manner in which redemption will be effected: To exercise such option, Bondholders must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be so redeemed not more than 60 days (namely 26 February 2010) and not less than 30 days (namely 28 March 2010) prior to the Put Option Date.

By Order of the Board
SPG Land (Holdings) Limited
WANG Weixian
Chairman

Dated: 25 January 2010

U.S. plan renews global regulation push

International efforts to regulate financial institutions gained renewed momentum Friday in the wake of the Obama administration's proposals to curb the size and spread of the biggest U.S. banks, leading regulators said Friday.

*By **Stephen Fidler**, **Alessandra Galloni** and **Dave Kansas***

The U.S. moves, announced Thursday, are likely to make financial regulation one of the top items on the agenda at this week's gathering of world political and business leaders in Davos, Switzerland. The news hit bank stocks around the world Friday as investors concluded banks would face tougher government actions.

Until now, many investors had expected Washington to resist tough action on banks. Instead, the administration of President Barack Obama, responding to popular pressure, appeared to move into a leadership role with its proposals, jumpstarting a debate on global financial regulation that had begun to falter.

International banks said they were awaiting details of the U.S. plan. But the proposals—which would bar banks that take customer deposits from making big bets on financial markets for their own accounts—received a positive reaction from finance officials around the world, who said they were likely to influence other governments seeking to deal with banks that became too big or interconnected to fail.

Mario Draghi, chairman of the Financial Stability Board, the body charged with coordinating international financial regulation, welcomed the Obama initiative, which he said "restores momentum to regulatory reform efforts."

"It shows that the U.S. is again leading the effort, which gives important impetus elsewhere," he said in an email.

Philipp Hildebrand, new president of the Swiss National Bank, said in an interview that the proposal should reduce the likelihood of future financial crises and "is certainly something we are extremely interested in."

"I believe it is a very, very good step forward," French Finance Minister Christine Lagarde said in an interview on the French radio station Europe 1.

The Obama administration's proposals still face a fight at home before they become law. They come amid signs that efforts around the world to curb risktaking by financial institutions, which gathered steam at the height of the financial crisis, were losing momentum as banks pushed back against the proposed changes.

The U.S. initiatives come at the start of a year that experts say will be crucial for international financial regulation, as guidelines set up by the Financial Stability Board and endorsed by the Group of 20 begin to take shape, country by country.

These rules will cover not just the highly publicized issue of bankers' bonuses, but also how large bank capital buffers should be; how much banks should set aside to cover potential loan losses; and what proportion of their balance sheets they should keep in liquid assets to prevent bank runs.

Mr. Obama's proposals, however, also highlight the difficulties governments face in coordinating their new banking regulations.

Ever since the world's largest economies last year committed to drawing up new rules for their domestic financial industries, differences have emerged.

There was a big danger that, as they put the new rules in place, governments would try to protect their national financial systems, said Charles Dallara, managing director of the Institute of International Finance, a Washington-based body with a membership comprising international financial institutions. The approach, he said, "could undermine the fabric of cross-border capital flows that has been so crucial to post-war economic growth."

WORLD NEWS: OBAMA AND WALL STREET

Some hedge funds see opportunity

By Jenny Strasburg And Aaron Lucchetti

Although investors and bankers widely greeted President Barack Obama's latest banking proposals with dismay, some sensed opportunity.

Senior executives of a $7 billion hedge-fund firm owned by **Morgan Stanley** on Thursday made plans to meet to discuss ramifications of Mr. Obama's plan, including the possibility of buying their business back from the investment bank.

Similar talks last year involving the firm FrontPoint Partners went nowhere, according to people familiar with the matter. But Morgan Stanley and other banks could face mounting pressure to become sellers as a result of Mr. Obama's proposals to rein in their risk-taking.

The talks came amid wider mobilization for and against the plan on Friday. Broadly outlined, it would curb banks' ability to trade firm capital through proprietary investment accounts, hedge funds or private-equity firms, and possibly limit bank ownership of hedge and private-equity funds, which administration officials described as risky.

Many details of the plan remained murky last week, including which provisions might be left up to Congress and how dramatically new requirements could affect banks' bottom lines.

In an interview Friday, Paul Volcker, the former Federal Reserve Board chairman whose belief in separating banks' trading and commercial operations informed Mr. Obama's thinking, said, "The questions have to be worked on in detail." He added: "They have no off-the-top-of-the-head answers."

Goldman Sachs Group Inc. officials have discussed the idea of selling or spinning off its banking unit, which has about $36 billion in deposits, if Mr. Obama's plan is passed by Congress, said people familiar with the matter. That could help Goldman escape from the curbs.

Congress is expected to fold the latest proposals into the broader effort to overhaul financial rules. Republicans have already called for hearings, but Democrats haven't set a timetable for when the plan might see a vote.

A restriction on banks' ability to own hedge funds would undercut a hot growth area for banks in recent years. During the hedge-fund boom before the financial crisis, banks snapped up hedge-fund stakes, seeking a piece of the rich fee streams hedge-fund managers were earning as their assets climbed.

The biggest bank-owned fund purchased during the recent hedge-fund boom years is **J.P. Morgan Chase** & Co.'s Highbridge Capital Management. J.P. Morgan executives weren't expecting proposed hedge-fund limits to affect its ownership of Highbridge, because the majority of the Highbridge funds' $21 billion in assets belong to clients.

The proposal also may prompt banks to reconsider how they handle in-house funds that are seeded with the banks' own capital. At **Citigroup** Inc., where about 40% of the assets under management in its alternative-investments business are Citigroup's own capital, executives already are opening some funds to outside investors and are looking to open others, according to a Citigroup official. The company believes this will allow the funds to pass muster under the Obama proposal.

Morgan Stanley acquired FrontPoint in 2006 as part of a hedge-fund buying spree that year led by John Mack, then Morgan Stanley's chief executive. The bank paid $400 million to acquire the fund, which at the time had $5.5 billion in assets.

On Wednesday, James Gorman, Morgan Stanley's new CEO, told analysts on an earnings call that Greg Fleming, the company's new asset-management chief who starts in February, will "look at all of the hedge-fund stakes that we have."

Mr. Gorman mentioned FrontPoint, Avenue Capital, Lansdowne Partners and Traxis Partners. Morgan Stanley bought minority stakes in the latter three firms in 2006 and 2007.

Before the Obama plan was announced, Morgan Stanley executives were facing the possibility that new capital requirements for banks would make owning stakes in hedge funds less attractive and profitable, say people close to the matter.

Morgan Stanley declined to comment last week on past talks about its hedge-fund stakes, FrontPoint managers' plans or ramifications of the bank plan.

Reuters

Paul Volcker, left, listens as Barack Obama speaks Thursday on financial reform.

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MANAGEMENT

How Citi handled strategy in Japan

Open communication channels with staff helped as company shifted focus and returned to global banking business

Less than a week after **Citigroup** Inc. unveiled a $7.6 billion quarterly loss, The Wall Street Journal's Alison Tudor sat down in Tokyo with Douglas Peterson, a senior executive at the U.S. financial giant, to discuss the company's turnaround strategy.

Mr. Peterson is moving to New York to become the chief operating officer of Citibank NA after serving for five and a half years as head of its Japanese operations. Over the past year, Citi's business in Japan has acted as a microcosm of the wider changes in the company's business model. The company raised roughly $11 billion by selling noncore assets in Japan last year.

Mr. Peterson explains how he handled Citi's evolution from a financial supermarket into a leaner company in the Japanese market and managed the impact on staff morale.

'We needed to move fast to ensure management's time wasn't spent on noncore business that would not be a source of future growth.'

Makiko Segawa

WSJ: How has Citi's business in Japan evolved over the past year?

Douglas Peterson: When the new strategy was identified to focus on core businesses, we moved really fast. Citi has a long history in Japan as our company's window into global markets and as a banking business. We decided to return to those roots, which are a global banking business model. We needed to move fast to ensure management's time wasn't spent on noncore business that would not be the source of future growth.

WSJ: How have you managed the unsettling nature of selling parts of your business on staff?

Mr. Peterson: One of the lessons I have learned during my career, which I put into action immediately when I arrived in Japan, is a commitment to communication. So the channels were open when the group faced challenges across 2007, 2008 and 2009. We have been utilizing internal memos, town halls, smaller meetings, walking around the trading floor, getting out to branches, a suggestions mail box, which all together create a continuous feedback loop for Citi Japan employees.

WSJ: How is Citi positioned in Japan for the future? How can you compete in a market which has such large local players?

Mr. Peterson: We will maintain our focus on wealth management and servicing large corporations and other financial institutions, which is in line with the overall group strategy. We have very strong competition in Japan. The local banks have dominant networks and access to clients. So I looked for financial-service segments where customers use more than one bank.

We have ambitions for Japan to be a source of growth and innovation. The largest companies in Japan have distribution networks and supply chains reaching all over the world, and their biggest market is often the U.S., such as autos and electronics makers. We have steadily increased our Japanese corporate client list by 5% or so a year and deepened our relationship with existing clients. For example, during the financial crisis we beefed up our foreign-exchange and derivatives platforms in Japan to help clients hedge and manage volatility in global markets. Japan also has the advantage of proximity to the high-growth markets of Asia. The manufacturing sector here already has experience in outsourcing to, say, China. Japanese companies want to develop their Asian strategy; Citi has a presence across Asia, which we can use to help them.

WSJ: Any tips for other foreign firms looking to achieve scale in the Japanese market?

Mr. Peterson: When foreign firms look at Japan they see a large, liquid market with lots of potential customers. But how much capital do you want to allocate to just one market? Capital is scarce everywhere, and the investment needed to achieve scale in Japan is too great for most firms and might mean they'd have to give up other markets. But given the absolute size of the Japanese market, it is possible to have a profitable, large business in Japan that is a niche business relative to the local players.

—Makiko Segawa contributed to this article.

The Power List

The top business leaders making headlines last week in select global and regional media. Powered by Dow Jones Factiva and edited for relevance and clarity.

ERIC SCHMIDT

Chief Executive
Google

Mr. Schmidt said that the Internet search giant will change its censoring of results in China "a reasonably short time from now" but remains "quite committed to being in China."

AZIM PREMJI

Chairman
Wipro

The software exporter reported a 19% rise in profit for the quarter ended in December, and Mr. Premji said he sees demand growing broadly

WARREN E. BUFFETT

Chairman, Chief Executive
Berkshire Hathaway

Mr. Buffett publicly denied a report that he was interested in buying more shares of South Korean steelmaker Posco.

SHINICHIRO ITO

President, Chief Executive
All Nippon Airways

Mr. Ito warned that government aid to Japan Airlines Corp. as it restructures could undermine competition in Japan's skies.

ARTHUR HOOD

Chief Executive
Lihir Gold

Mr. Hood resigned amid criticism over an unsuccessful acquisition. In a statement, he said he had overseen company growth and "it is therefore the right time for me to step aside to enable an orderly transition to a new CEO."

Photos: Associated Press (Buffett); Bloomberg News (Schmidt, Premji, Ito); Lihir Gold (Hood)

Compiled by Carlos Tejada/ The Wall Street Journal

Are Dissidents Safe in Hong Kong?

In the 12 years since Hong Kong's handover to China, the two have coexisted with separate judicial and legal systems under "one country, two systems." Last week's conviction of United States resident Zhou Yongjun, however, raises serious questions about the real independence of the Hong Kong Special Administrative Region.

Mr. Zhou first became famous for his part in the 1989 Tiananmen Square protests, when he and other students knelt before the Great Hall of the People and begged government officials to listen to student demands for democratic reform. For that "crime" he spent three years in a labor camp. This time, he was sentenced to nine years in prison and fined 90,000 yuan ($13,184) for attempted financial fraud in the southwestern city of Shehong.

The story of Mr. Zhou's arrest and prosecution is bizarre. He traveled to Hong Kong from Macau in September 2008 under a fake Malaysian passport purchased from a travel agent in Los Angeles. The name used on that document happened to match the name registered to a bank account which suspiciously had a previous request to transfer 6 million Hong Kong dollars ($772,320). The signature on the transfer form did not match the signature of the account bearer so the request was denied, and bank authorities notified Hong Kong officials, who had the name placed on a watch list. Mr. Zhou was then reportedly transferred to Hong Kong police, who, according to his lawyer, determined he had no relation to the suspicious signature and then transferred him back to immigration authorities. After Mr. Zhou refused to reveal his identity, immigration officials transported him across the border to Shenzhen, where he was detained until being transferred to Sichuan and tried. Hong Kong authorities then allegedly provided information to help convict Mr. Zhou of attempted financial fraud.

> The sentencing of Zhou Yongjun suggests they are not.

In the past, if someone was caught at the Hong Kong border under a false passport, he was either sent back to his "place of embarkation" or where he claimed residence. In this case, neither of these are mainland China. More disturbingly, Mr. Zhou committed his alleged crime in Hong Kong, thus Chinese courts have no jurisdiction over him. In all likelihood, mainland authorities will claim jurisdiction over Mr. Zhou in coming days because, as a mere U.S. resident, he is still a mainland citizen. This comes as no surprise, as mainland China has previously prosecuted its residents for crimes committed in Hong Kong.

Mr. Zhou's repatriation sets a disturbing precedent for the rendition of those wanted for crimes, real or political, on the mainland. The fact that the Hong Kong authorities were so cavalier about protecting their own jurisdiction also suggests that the will to maintain "one country, two systems" may be fading. In that case, other countries would be justified in reconsidering whether Hong Kong deserves to be treated differently from the mainland on a whole range of issues. And that would spell disaster for the territory's economy and its residents.

A Free Speech Landmark

Freedom had its best week in many years last week. Tuesday, Massachusetts put a Senate check on a reckless Congress, and Thursday the Supreme Court issued a landmark decision supporting free political speech by overturning some of Congress's more intrusive limits on election spending.

In a season of marauding government, the Constitution rides to the rescue one more time. Justice Anthony Kennedy wrote the 5-4 majority opinion in *Citizens United v. Federal Election Commission*, which considered whether the government could ban a 90-minute documentary called "Hillary: the Movie" that was set to run on cable channels during the 2008 Presidential campaign. Because it was funded by an incorporated group and was less than complimentary of then-Senator Hillary Clinton, the film became a target of campaign-finance limits.

The 2002 Bipartisan Campaign Finance Act, aka McCain-Feingold, banned corporations and unions from "electioneering communications" within 30 days of a primary or 60 days of a general election. Thursday, the Justices rejected that limit on corporate spending as unconstitutional. Corporations are entitled to the same right that individuals have to spend money on political speech for or against a candidate.

Justice Kennedy emphasized that laws designed to control money in politics often bleed into censorship, and that this violates core First Amendment principles. "Because speech is an essential mechanism of democracy—it is the means to hold officials accountable to the people—political speech must prevail against laws that would suppress it by design or inadvertence," he wrote. The ban on corporate expenditures had a "substantial, nationwide chilling effect" on political speech, he added.

In last year's oral argument for *Citizen's United*, the Court got a preview of how far a ban on corporate-funded speech could reach. Deputy Solicitor General Malcolm Stewart explained that, under McCain-Feingold, the government had the authority to "prohibit the publication" of corporate-funded books that called for the election or defeat of a candidate.

The Court's opinion is especially effective in dismantling McCain-Feingold's arbitrary exemption for media corporations. Thus a corporation that owns a newspaper—News Corp. or the New York Times—retains its First Amendment right to speak freely. "At the same time, some other corporation, with an identical business interest but no media outlet in its ownership structure, would be forbidden to speak or inform the public about the same issue," wrote Justice Kennedy. "This differential treatment cannot be squared with the First Amendment."

The landmark decision—which overturned two Supreme Court precedents—has already sent the censoring political class into orbit. President Obama was especially un-Presidential Thursday, putting on his new populist facade to call it "a major victory for big oil, Wall Street banks, health insurance companies" and other "special interests." Mr. Obama didn't mention his union friends as one of those interests, but their political spending will also be protected by the logic of this ruling. The reality is that free speech is no one's special interest.

New York Senator Chuck Schumer vowed to hold hearings, and the Naderite Public Citizen lobby is already calling for a constitutional amendment that bans free speech for "for-profit corporations." Liberalism's bullying tendencies are never more on display than when its denizens are at war with the speech rights of its opponents.

Perhaps one day the Court will go even further and overturn *Buckley v. Valeo*, the 1976 decision that was its original sin in tolerating limits on campaign spending. The Court did Thursday uphold disclosure rules, so a sensible step now would be for Congress to remove all campaign-finance limits subject only to immediate disclosure on the Internet. *Citizens United* is in any event a bracing declaration that Congress's long and misbegotten campaign-finance crusade has reached a Constitutional dead end.

Obama v. Wall Street

President Obama and Democrats have settled on demonizing Wall Street as a campaign theme for November's elections. If history is any guide, Mr. Obama and New York Senator Chuck Schumer will now persuade Wall Street to underwrite this campaign. Ah, the politics of hope and change. How refreshing.

> The President gets serious about moral hazard.

Phony populism aside, Thursday Mr. Obama introduced his first serious idea into the debate on reforming the financial system. In calling for an end to proprietary trading at firms with a federal safety net, the President showed that he now understands an important principle: Risk-taking in the capital markets is incompatible with a taxpayer guarantee.

Under the President's still-sketchy plan, firms that hold government-insured deposits or are eligible to receive cheap loans in an emergency from the Federal Reserve would not be able to trade for their own accounts. The firms could facilitate customer orders as brokers have always done and continue to underwrite new issues of stocks and bonds, but they could not make bets with their own capital or own or invest in hedge funds.

Thursday's announcement is a critical departure from the reform plan Mr. Obama introduced last year—largely incorporated in the House and Senate bills written by Barney Frank and Chris Dodd. Those plans all sought to expand the universe of too-big-to-fail companies eligible for taxpayer rescue. Mr. Obama has at last joined the most important policy discussion: How to eliminate the moral hazard now embedded in the U.S. financial system. Political assaults on banker compensation have done nothing to address this core problem that enables gargantuan bonuses.

The days ahead will demonstrate whether Mr. Obama is serious, or if this is merely a political tactic to encourage Republicans to defend big banks. If he's serious, he will add to his plan a taxpayer exit strategy from the most expensive bailouts—at Fannie Mae and Freddie Mac.

He'll also soon realize that while his plan raises the right questions, its details will be crucial. Since there's a counterparty on the other end of every trade made by Goldman Sachs, it won't always be easy to discern trades made for customers versus those made for Goldman.

More fundamentally, even if the logistics can be mastered, the President's plan would not have prevented the credit chaos of 2008. Bear Stearns was not a bank, could not borrow from the Fed's discount window and wasn't even all that big, yet the government still wouldn't let it fail.

Mr. Obama also keeps peddling the illusion that the entire crisis was caused by the bankers. But the root cause was a credit mania, courtesy of the Federal Reserve. The mania was concentrated in the housing market, courtesy of Congress and several Presidential Administrations.

If we are going to have a Fed and a political class as reckless as we have, then we need a more comprehensive answer to financial risk. Bankruptcy for risk-takers who bet wrong is the best option. Barring that, strict limits on margin and leverage, especially for holders of insured deposits, can be helpful. Mr. Obama's suggestion of limits on the size of financial firms—with the limits still to be determined—deserves a hearing but would seem more problematic.

Still, we're encouraged by Thursday's announcement. The Democrats appear to finally realize that too-big-to-fail is a problem to be solved, not the foundation of a modern banking system.

OPINION

Ford's Focus: Don't Allow a Bay State Repeat

[The Journal Interview with Harold Ford Jr.]

By Jason L. Riley

New York

It's the day after the political earthquake in Massachusetts, and former Tennessee Congressman Harold Ford Jr. has stopped by the Journal's Manhattan offices to discuss his possible interest in New York's Democratic Senate primary. But first things first: About last night . . .

"The lesson from last night is to reset the priorities in Washington," said Mr. Ford, alluding to Republican Scott Brown's upset Tuesday in the Bay State special

The centrist Democrat thinks his party needs to take a page from Bill Clinton's playbook.

election for the U.S. Senate seat held by Ted Kennedy for nearly a half-century. "The next elections are in November, so the president and the Democrats have a few months to get this right. But we will forfeit our majorities in Congress in November if the American people don't feel more economically secure six months from now than they do today. And Scott Brown's victory in Massachusetts is just the latest indicator."

The former congressman moved to New York after narrowly losing a bid for a U.S. senate seat in Tennessee four years ago. Since leaving the House, he's served as head of the centrist Democratic Leadership Council, been a commentator on Fox News Channel and MSNBC, and taken a job with Merrill Lynch.

Of late, he's been considering a Democratic primary challenge against Sen. Kirsten Gillibrand. Ms. Gillibrand was tapped by Gov. David Paterson last year to fill a vacancy left by Hillary Clinton after Mrs. Clinton became President Obama's secretary of state.

Mr. Ford believes health-care reform—a key factor in Mr. Brown's upset in the Bay State—is important. But he is quick to add that it has distracted Democrats from more urgent priorities. "I think the attention and energy that health care has consumed has been so exhausting that it's caused the administration and, Democrats in Washington in particular, to lose sight of the need for a bold economic-growth and job-creation plan."

Still, he hopes that the Democrats find a way to pass the bill with bipartisan support. "My recommendation would be to take into account what happened last night." Besides listening to congressmen and senators who "continue to face pressure at home about a health bill," he believes those crafting the plan should focus on three things: preventing denials of coverage for pre-existing conditions, implementing tort reform, and expanding coverage for all children.

Mr. Ford applauds much of what President Obama has accomplished in his first year. "I think it's safe to say we avoided a depression because of many of the policies that the administration put forward," he says. But that has "not been enough in the eyes of middle-class voters across the country," he says, citing the latest Wall Street Journal/NBC News poll. "A majority [54%] of the country now believes that the country is on the wrong track, and those numbers generally correlate with economic security."

To address the anxiety Americans are feeling, Mr. Ford thinks that the White House needs to focus squarely on the economy. "First we need to cut taxes for businesses in the country, small and large," he says. "We ought to provide a six-month exemption from the payroll tax for all firms less than five years old. We ought to extend the current capital gains and dividend tax rates through 2012. We ought to make permanent all the research and development tax credits for businesses making those investments. And we ought to lower the corporate tax rate from 35% to 25%."

It's no wonder many consider Mr. Ford too conservative to win a U.S. Senate seat in New York. The scion of a prominent Memphis political family, he was first elected to Congress in 1996 at 26-years-old—just months after graduating from law school at the University of Michigan. He entered politics as a New Democrat, in the mold of Bill Clinton circa 1992. Mr. Ford's part of a younger generation of black political leaders—Newark, N.J, Mayor Cory Booker is another—who has shown a willingness to break racial ranks on certain issues. Mr. Ford's been a strong proponent of school choice, even supporting the successful Washington, D.C., voucher program for low-income families that President Obama is shuttering in deference to teachers unions.

His voting record as a five-term congressman was more moderate—he prefers the term "independent"—than those of his fellow members of the Congressional Black Caucus. While in office, Mr. Ford supported normal trade relations with China, prayer in schools, a repeal of the death tax, and a constitutional amendment to ban flag burning. In 2002 he even challenged Nancy Pelosi for minority leader because he believed his party was moving too far to the left.

* * *

Asked what prompted his interest in the Senate contest, Mr. Ford says that since moving here he's noticed "a concern on the part of New Yorkers that Washington has lost its way and that Senator Gillibrand has not been an effective voice, an independent voice, a reliable voice on behalf of New Yorkers." So far, Ms. Gillibrand is facing an uncontested primary, and a Marist poll released last week showed her beating Mr. Ford by 19 points. But the same poll also showed that the senator has a troubling 24% approval rating among voters; another 25% of voters have no opinion of her at all.

Anticipating criticism that a primary would be divisive and cost money better spent on the general election, Mr. Ford argues that it's more important for voters to have the opportunity to choose the Democratic nominee. "In this race, the reality is that Senator Gillibrand was appointed by a governor who was not elected," he said, referring to the fact that Mr. Paterson became governor when his predecessor, Eliot Spitzer, resigned in the wake of a prostitution scandal. "She is not the incumbent. New Yorkers have never had a chance to vote for her."

Zina Saunders

Mr. Ford has modified some of his past positions on social issues, such as abortion and gay marriage, to accommodate the more liberal sensibilities of New York voters. If Ms. Gillibrand wants to dwell on this, however, she'll have to explain her own sudden shift to the left on gun control and immigration after she joined the upper chamber. Mr. Ford also knows that he will take some lumps for being a carpetbagger, but he isn't any less knowledgeable about the state than Bobby Kennedy or Mrs. Clinton were when they moved to New York to run for senate.

Mr. Ford's main criticism of Ms. Gillibrand—echoed by others—is that she's little more than an acolyte of Democrat Chuck Schumer, the state's senior senator. He says New Yorkers deserve someone who will think for himself: "I've been an independent voice for my entire time in politics. For 10 years in Congress, I represented largely the city of Memphis. I wasn't elected to go to Washington to vote 100% with Democrats. I was elected to represent my constituents and put them first."

This state, says Mr. Ford, has a history of choosing free-thinking representatives. "This seat has had the likes of Robert Kennedy and Daniel Patrick Moynihan and Hillary Clinton. When Bobby Kennedy came to New York—and I don't compare myself to Kennedy, but there are some parallels—he was criticized by liberals in New York who thought he wasn't liberal enough, who didn't think his carpetbagging would be embraced by New York City and by the state.

"Yet he went on to be one of the great independent voices in the U.S. Senate, legislating in a way that not only benefited New York but distinguished him around the country. So while I have great respect for Senator Schumer, New Yorkers have come to expect their senators to be independent, strong elected officials who will put New York first. And I think I would do a better job of that than Senator Gillibrand."

As an example of Ms. Gillibrand putting party fealty ahead of her constituents, Mr. Ford cites her support for the current Senate health-care bill that would cost the state some $1 billion in federal reimbursements. "The reason I'm against the Senate bill is that I'm opposed to the extra fees and burdens it places on New York state and New York City at a time when the state is running a $7.5 billion-plus deficit."

The White House has already indicated that it is supporting Ms. Gillibrand, and Mr. Schumer is doing all he can to ensure that she doesn't face a primary opponent. But given that New York Democrats outnumber registered Republicans by more than three million, a Democratic primary is probably the best place to have a debate about job growth and the state's business climate. New Yorkers deserve a real choice, even if Mr. Schumer wants the only Democratic option to be a distaff version of himself.

Mr. Ford says that as senator he would act to protect New York's crucial financial industry, which means opposing bills like the one passed by the House of Representatives last month that would treat the "carried interest" income of private-equity and hedge-fund managers as regular salary rather than capital gains that are taxed a lower rate. "I think we should have a compromise in the tax rate, somewhere in between. I think we can find a middle ground."

He's also skeptical of the president's recently proposed "financial crisis responsibility fee," to be levied on large banks to cover expected losses in the Troubled Asset Relief Program. "Conceptually, the president is right," says Mr. Ford. "He's trying to curb the excessive risk taking that occurred without discouraging all risk taking and entrepreneurship. And yes, taxpayers deserve to recoup some of these losses. But it's hard to support what he's laid out. The details are scant and it doesn't add up. I would support no bill that does harm to New York's financial industry."

Asked if pending legislation that imposes compulsory union arbitration on employers would help lower the unemployment rate, Mr. Ford says it won't. "And card check"—as the bill is known—"should not be the focus right now. If that's at the top of the agenda, we're not going to move forward on a job-creation agenda. I do support the unions in this country. And I support the right to organize. But I don't believe that this is the right time to advance card-check legislation."

He does think we are overdue for comprehensive energy reform, however, and he wants a bill to pass soon. "I'm not sure that a carbon tax is the right answer at this moment. But we kid ourselves if we think America can be the dominant economic player on the global stage if we don't find ways to produce new forms of energy, not only for our consumption but to be exported around the world.

"When the energy debate took place in Congress, there were some Republicans who argued that if a bill passed, you would pass on a $300 tax bill to every American family. But I think that most people in the country would be willing to pay $300 more per year if it meant fewer wars related to our appetite for oil, more jobs and a cleaner environment. So a carbon tax right now on top of all the economic stress that we're facing is not the right thing to do. But I think the energy agenda of the president and Democrats is much broader than that."

* * *

Going forward, Mr. Ford wants the president and his party to recall the lessons of the past—specifically those of the Clinton years. "Clinton was my kind of Democrat, and is what I came to know a Democrat should stand for," he says. "When Bill Clinton took office, he inherited a record-size debt, yet balanced the budget in 1998 . . . We created 22 million new jobs. The country handed a surplus to his successor. This is the lesson for our current president. You can find a way to grow the economy and be fiscally disciplined. It can be done."

Mr. Riley is a member of The Wall Street Journal's editorial board.

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OPINION

China Can Reduce Its Surplus Savings

By Stephen Green

There is a pretty solid domestic and international consensus that China saves "too much." The debate now is over how serious the problem is, and how to resolve it. The good news is that the central government has several policy tools available to help.

Not everyone agrees on the scale of the problem. Optimists argue that China's high savings rate is happening naturally. They tend to focus on households, who do save a lot, around 30% to 35%

It's not only households that are hoarding their resources—it's the government, too.

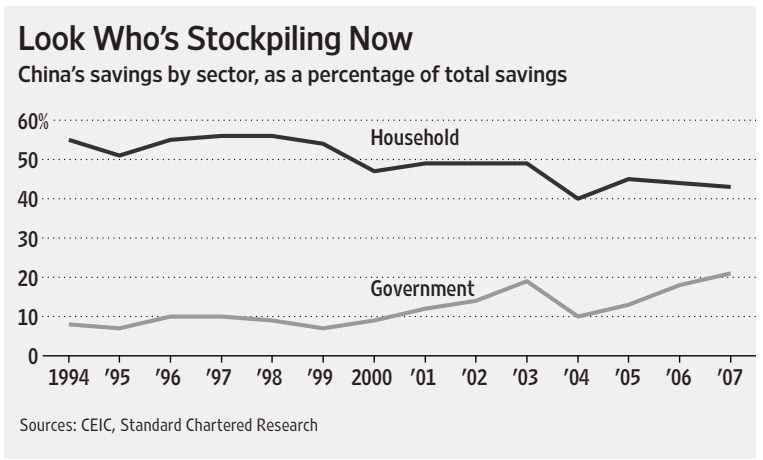
of income. This is certainly high, but not unusually so compared with other Asian economies at a similar level of development. Chinese have to worry about funding their retirement, their kid's education and health emergencies, too. The government can build a social safety net to reduce the need to save, but this takes time.

Those who think that policy is making China's saving surplus worse tend to look elsewhere. They argue, for instance, that household savings levels have not increased much over the past decade, and so cannot explain the sudden build-up in China's "surplus" saving problem since 2003. Of course, such "surplus" savings are the domestic counterpart to China's big trade surpluses.

Other people focus on the corporate sector and especially the export sector, which has boomed in recent years. China's exporters have won massive global market share. The resulting revenues cannot be spent or invested quickly enough—even with China's stratospherically high investment levels. So they end up recycled back into U.S. securities. If this is one's diagnosis for China's "surplus" saving problem, then there is a relatively straightforward cure: appreciate the currency. A stronger yuan would help stifle exports, reduce corporate profits and improve the imbalances.

Lost so far in this debate has been a third imbalance: the government's own "surplus" savings, which have grown significantly in recent years. Government saving is the result of at least two trends. First, government revenues boomed in the decade before the economic crisis of 2008. Any government receives more in tax revenues when the economy is booming, but this is not the whole story. Since 1994, Beijing has also vastly improved its tax collection methods. This has meant revenue growth has outpaced GDP growth on average by five percentage points from 1995-2009.

The official flow of funds data, which show how money moves around the economy, suggests that total government income rose to 24% of GDP in 2007, from a trough of 16.5% in 1994. These numbers conflict with the official budget data, which show slightly



less bountiful numbers. But the flow of funds numbers probably include estimates of unreported, off-budget revenues, including those from land sales. Total land sales, from which local governments were by far the biggest beneficiary, likely exceeded 1 trillion yuan ($170 billion) in 2009, adding 17% to official central and local government revenues.

Second, while government expenditure has risen too, it has failed to keep pace with income. According to the flow of funds data, during the late 1990s the government saved some 15% to 20% of its income. That has risen steadily to 44% in 2007. Government investment has to be paid out of these savings, but still the trend is clear—spending has lagged.

The collapse of global demand in late 2008, and China's supersized stimulus package which followed, both had a big impact upon China's imbalances. The current surplus fell to around 7% in 2009, from 11.3% of GDP in 2007 and 9.6% in 2008, a fall of four percentage points.

At the same time, China's "surplus" savings have fallen in parallel. In the corporate sector, profits were hit, especially in the export sector, and incomes fell. A massive stimulus package caused state-owned infrastructure companies to borrow massively from banks and invest. With income down, and investment up, corporate-sector savings have fallen.

A similar phenomenon has occurred in the government sector. Government income growth was still positive in 2009, thanks to gargantuan efforts by the tax administration, but only grew at 8% to 10%, compared to spending growth of 23%. That resulted in a budget deficit of around 3% of GDP. This public dissaving also ate into the "surplus" savings.

The risk is that as the economy recovers, the government saving problem will reassert itself. One way to prevent this is to limit government revenues, particularly those that take income away from households. For example, Beijing could reform the way rural land is requisitioned and sold. At present local governments and developers monopolize the profits. Households should get a bigger share. Or China might cut the business tax that is levied on the labor-intensive service sector. The business tax is assessed on revenues, not profits, a harmful practice. The good news here is the authorities intend to move to a value-added tax.

The other strategy is to increase government spending on households. Government spending on health, education and other welfare services has increased to an estimated 7% of GDP in 2009 from 4.9% in 2002. But more is required. Nine years of compulsory educated are now paid for, but China should now be considering a commitment to fully fund high-school education. One-half of rural kids do not go to any type of school after the age of 15.

The new rural health insurance system could also be better funded—only 10% to 30% of incare costs are reimbursed, depending on where you live. Allowing migrant workers access to the urban safety net is another key.

If government saving can be reduced, it would be a boon to China's growth over the next decade. If not, the danger is that the imbalances will return.

Mr. Green is head of greater China research at Standard Chartered Bank.

China, Google and the Cloud Wars

[Business World]

By Holman W. Jenkins, Jr.

What does Google know about you? What does the Chinese government know about you?

Now you know a less-spoken reason why Google has gone to the mattresses over Chinese hacking. Always in the cards, since the birth of the Web, was the possibility that some great Internet business—a Yahoo or Google or Amazon or Facebook—would be destroyed overnight by a cataclysmic loss of trust in its protection of consumer data.

We haven't seen this phenomenon yet, but it has seemed almost inevitable that sooner or later we will.

Google's response to the discovery that Chinese hackers—likely government hackers—had tried to ransack its servers has been both energetic and obfuscating. "We love China and the Chinese people," said CEO Eric Schmidt. "This is not about them. It's about our unwillingness to participate in censorship."

This was good PR—changing the subject from the very touchy one of data security. It may also have been good strategy, putting China on the defensive about blocking its own citizens' access to information. Your move, Beijing.

It was also brave in a way other businesses in China haven't been brave, and perhaps can't afford to be. Hard to imagine, after all, is the cream of Chinese youth, the hope of its future, laying flowers of solidarity on the doorstep of, say, Northrop Grumman.

But one thing Google's response wasn't was entirely straightforward. The issue isn't censorship but data security. Google may deserve every salaam for its willingness to go to war with China over its users' data privacy, but it has been careful not to advertise that that's what the showdown is really about. Ditto the Obama administration, which has taken up the censorship theme but has no answer for what really happened in the Google hack, which included breaking into individual email accounts.

You can understand their delicacy. Refusing to comply with China's censorship directives, as Google is now doing, doesn't actually make anyone's data safer. Even pulling down its Chinese search engine altogether, as Google says it's prepared to do, wouldn't make Google's servers in the U.S. or anywhere else more secure from determined hackers sponsored by the Chinese government.

Nobody wants to talk about this, because nobody has an answer for it. Even less given the stampede of businesses large and small to entrust their propriety data to "the cloud." But let's face it: If you are among the millions of users of Google's many services, which include a lot more than typing your perhaps not always cred-

Your personal data still aren't safe.

itable whims into its search engine, by now on some gloomy afternoon you have already involuntarily paused and wondered what exactly Google makes of all your information.

It doesn't take much to trip the anxiety switch even without worrying about data leakage to outsiders. In the near future, because you once typed in a search for hemorrhoid creams, will you see hemorrhoid ads flashing on electronic billboards as your car passes by? Will your Thanksgiving football fest with the in-laws be interrupted with TV commercials for hemorrhoid creams unless you take yourself out of the room? (Microsoft already is developing for its xBox game and video machine a capacity to watch who's watching).

The Chinese government may not have anything to gain by embarrassing you in front of your children or employer, but state-sponsored hacking can potentially serve many purposes, from espionage and economic sabotage to blackmail and short-selling opportunities.

Even more likely, hacking could be Beijing's way of extorting corporate compliance with its other goals. That's why Google's tactic of thumbing its nose at China's censorship rules is at least inspired gamesmanship. Message to China: You have something to lose too.

It's also why the response of other companies has been worrisome in its wussiness. Motorola is widely named in the press as having been hacked by Chinese operatives in the same incident as Google. Motorola's response? "Motorola is committed to offering the most innovative mobile products and experiences in China."

If China's hacking is essentially a power play, silence is the wrong answer. In the early 1990s, the world studiously ignored evidence that China's military was behind much of the piracy in the vital trade lanes of the South China Sea. The parallel is a close one, because China's motive appeared to be an assertion of sovereignty as much as a grab for booty.

Hong Kong, still a British possession at the time, bravely collected the evidence, including serial numbers of Chinese patrol boats involved in the attacks. But it was allowed to present its findings only orally to the U.N. International Maritime Organization—because a written report would have required the agency to acknowledge the information and act on it.

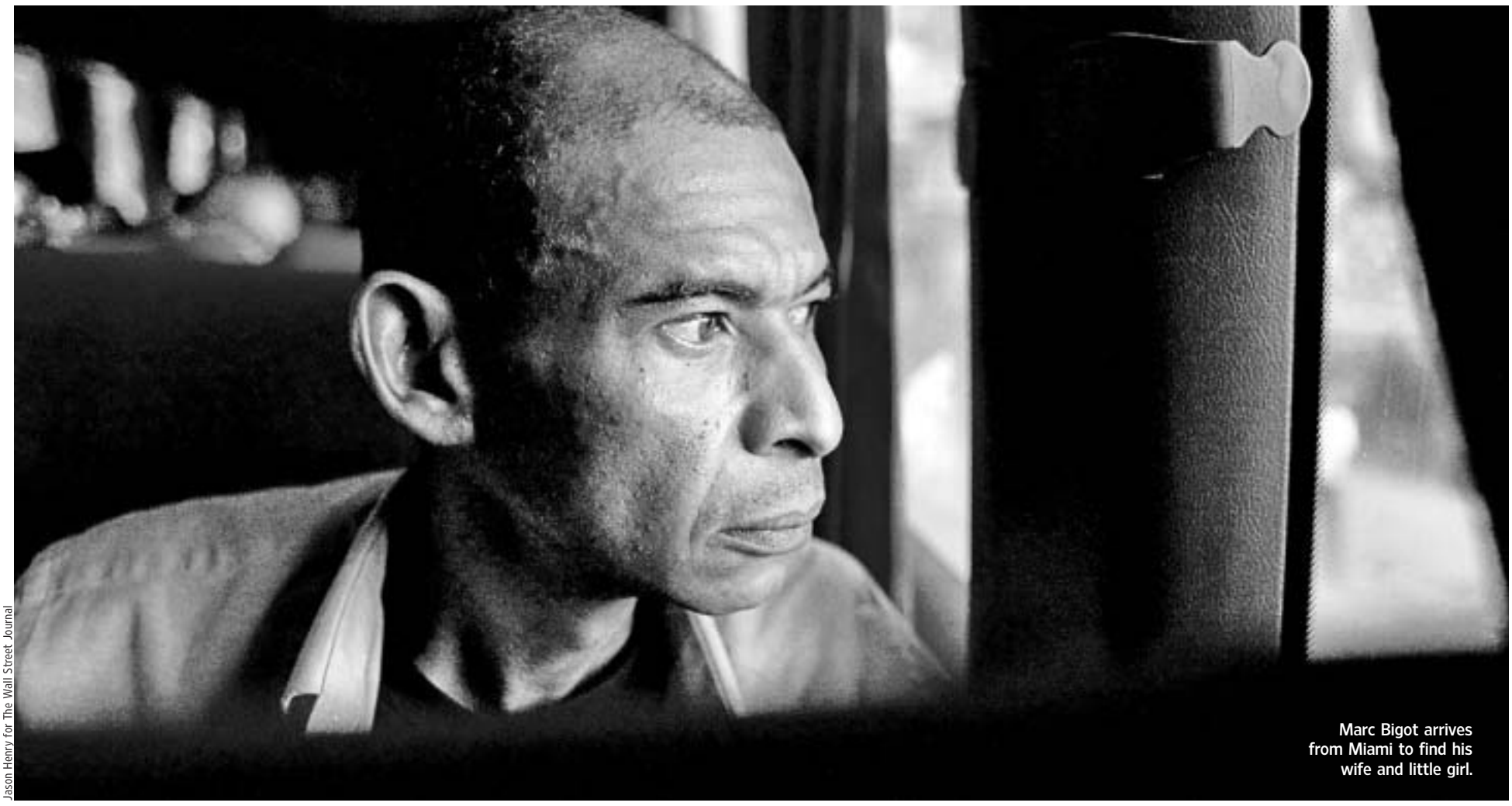
Nobody wanted to know because nobody knew how to do deal with Chinese state-sponsored piracy, though it turned out the best way to deal with it was simply to advertise what was known about China's participation in piracy.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"We're not a bank anymore. Care for a latte?"

IN DEPTH



Jason Henry for The Wall Street Journal

Marc Bigot arrives from Miami to find his wife and little girl.

Tracking one Haitian's quest to save his family back home

Marc Bigot journeys to Port-au-Prince from Miami via the Dominican Republic; that was the easy part

By Gina Chon
Port-au-Prince

'Daddy, when are you coming back?' That's what Marc Bigot's daughter, 14-year-old Stephanie, asked him last Sunday in Miami as he raced out the door of his home there. Carrying little more than a duffle bag of Band-Aids and a sack of Snickers bars, he was off to Haiti, to find the rest of his family.

"I don't know, baby," he said, hugging her goodbye. "I'll stay there as long as it takes to bring them to America."

A wiry 47-year-old who once owned a modest fleet of Port-au-Prince ice-cream carts, Mr. Bigot (pronounced Bi-JEAU in Creole) is one of the more than 800,000 U.S. residents who claim Haitian ancestry. Scores of Haitians are trying to flee the destroyed city of Port-au-Prince, but Mr. Bigot desperately wanted to get in.

His goal: Reunite his family, then get right back out to start rebuilding their lives abroad. Mr. Bigot was accompanied on his trip by a reporter.

Even though he's an American citizen, the task of leaving Haiti is proving difficult. This past Thursday, the line of cars going toward the U.S. Embassy was kilometers long.

Meantime, Mr. Bigot is living in the front yard of his badly quake-damaged home. Three nights ago, vigilantes a few blocks away caught a man trying to steal some plantains, and beat him to death. Mr. Bigot heard the beating in the distance.

"People are scared out there," Mr. Bigot said. "They feel like they have to do what they have to do."

Many Haitian-Americans routinely travel back and forth from their homeland to their adopted country, or send money to Haiti to help family, as Mr. Bigot did. Foreign remittances are estimated to account for about one-fifth of the nation's gross domestic product. Many people also keep homes in both places. The advantage is that hard-earned American dollars stretch much further in Haiti.

"There is an American dream, and a Haitian dream," said Mr. Bigot. "Both places are not easy, but in the U.S., you earn money just to spend it on surviving."

Mr. Bigot is among the lucky ones. The devastating quake may have killed as many as 200,000 people, and on Friday most search teams stopped looking for survivors under the rubble. But even before Mr. Bigot left his little stucco home in Miami about a week ago, he already knew his wife and 2-year-old daughter were alive.

His wife reached him by phone Jan. 16, some 96 hours after the quake. They needed help. "We have nothing to eat," his wife, Olinia, told him in their one brief call, before the line went dead. "Please bring us food for me and your baby."

In the days immediately after the quake, Mr. Bigot said, "My brain couldn't function." He'd been subsisting on crackers, beer and Bronco Menthol cigarettes, two packs a day.

After the call from his wife, he resolved to depart for Haiti on Sunday Jan. 17, the very next day. He'd already been scraping together cash from friends and relatives. Mr. Bigot runs a small business importing and exporting restaurant equipment and other supplies to Haiti. But like many fellow Americans, he's struggling financially: The global economic turmoil means few Haitians needed air conditioners or industrial-sized coolers from him.

Relatives and friends in Miami's sizable Haitian community helped him out with donations $50 here, $100 there. Many also gave him the names of people they wanted him to search for.

That Sunday, he went to a CVS pharmacy and picked up a first-aid kit, a tin of sardines and a few other supplies for the trip, including the bag of Snickers bars—a treat for his 2-year-old, Oldinia.

As he packed for the trip, his two teenage daughters from a previous marriage, who live with him in Miami, asked if they could eat one of the Snickers. Mr. Bigot jokingly scolded them. "You act like you are the ones that are starving!" he said. "Didn't you just eat lunch?"

He paid some bills, packed his bag—his passport, a Saints T-shirt, some baby wipes—and left his two teens in charge. "Be good," he told them as he left. "Make me proud."

Simply getting into Haiti, at a time when aid workers and supplies were still facing logjams, would be a notable achievement in and of itself. Commercial flights were canceled. His plan: Fly instead into Santo Domingo in the Dominican Republic, then drive across the border.

At Fort Lauderdale's airport, he bumped into Marie Cherie, an old friend he hadn't seen in a decade. Ms. Cherie uses a wheelchair. But she, too, was determined to go to Haiti to help her own family. The two resolved to be travel partners.

"We're all in this together," Mr. Bigot told her. The unusual nature of their trip became apparent once aboard the plane. Hardly any other Haitians were attempting the same thing. Most passengers were Dominicans.

Arriving in Santo Domingo Sunday evening, Mr. Bigot tried to book a car straight out to the border—until a policeman got involved and demanded a bribe of several hundred dollars.

Eventually, Mr. Bigot and Ms. Cherie found a cheaper option and booked bus tickets for the next day. "It's a luxury bus," Mr. Bigot said. "There won't be any chickens or goats on this bus."

They found a hotel to try to get a few hours' sleep before the final six-hour run across the border and into Haiti.

Monday's bus trip proved to be scenic and expansive. As Étang Saumâtre, Haiti's largest lake, came into view, Mr. Bigot got excited. "Look, it's the lake!" he said, straining his neck to take in the vista. Ms. Cherie began clapping and singing a tune.

Pulling into Port-au-Prince, the true scale of the devastation was concealed by the darkness of evening. Still, Mr. Bigot gasped at what he saw. "That's the biggest supermarket store in Haiti," he said, pointing to a pile of rubble. "Woah, woah," he said over and over.

Finally approaching his own neighborhood, he found the streets blocked by families sleeping outside. So he walked the rest of the way, lit only by moonlight, calling out "Marc is back." Neighbors came to welcome him.

The gate of his own yard swung open, and soon Mr. Bigot and his wife and daughter held each other in a long embrace. "It's OK, my dear," Mr. Bigot said, stroking his wife's hair. "I'm here."

Olinia, his wife, began making a pot of spaghetti over a fire, the only light in the yard. That night, the family slept together in the yard, afraid to spend too much time in the badly damaged house.

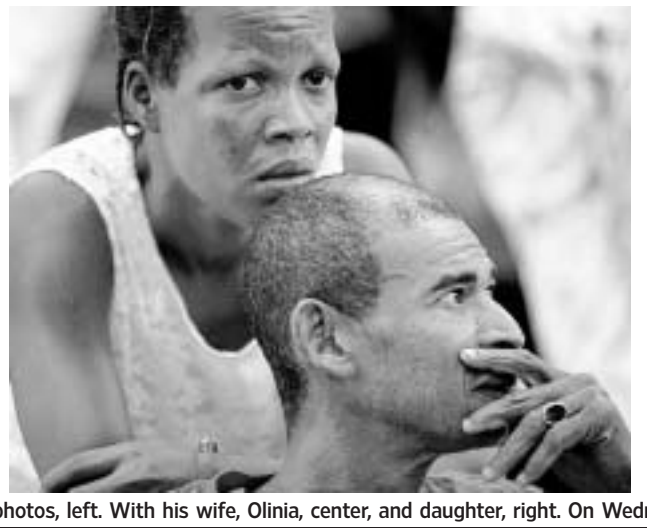
The exhausting, two-day journey from suburban Miami to his quake-shattered home in Port-au-Prince was complete. And that was the easy part.

On Tuesday, Mr. Bigot quickly encoun-

IN DEPTH

Jason Henry for The Wall Street Journal (4)

Marc Bigot, above, checked on a piece of property in Port-au-Prince owned by an uncle who lives in New York City. His biggest task is trying to figure out how to get his wife and daughter to the U.S.



Before heading to Haiti on Jan. 16, Mr. Bigot looked through family photos, left. With his wife, Olinia, center, and daughter, right. On Wednesday, an aftershock had forced them to go outdoors for safety.

tered the challenges, big and small, of life in post-quake Haiti. He wanted to find his 79-year-old father, alive and living in a distant part of town, but first needed some gas for his Mitsubishi Montero SUV. He sent a neighborhood boy to see if he could find any.

While waiting, he sat in a plastic, burgundy colored chair in front of the partially collapsed walls of his cinder-block house. A few broken chunks of concrete from the house lay scattered on the ground.

In this neighborhood, Mr. Bigot is clearly seen as something of a bigshot. He may be struggling financially in the U.S., but a dollar goes far in Port-au-Prince. Mr. Bigot has often been able to afford a maid and a driver.

"Marc is a big man around here," said Raicardy Solino, 24. "We look up to him." Pastor Enoch Durceus comes by to ask for money to help rebuild a church in the neighborhood. An elderly woman stopped to request some money for food.

"These people think I've made it," Mr. Bigot laments. "But I barely have enough to take care of my own family."

The neighborhood needs all the help it can get. But no aid groups have come to Impasse Caiman street, where Mr. Bigot lives. The residents are recovering from the damage themselves, including burning dead bodies. People remain buried in collapsed buildings. The stench of death is overpowering. Many residents live under bedsheets tied up as makeshift tents.

One resident, Antoine Albert, 56, is assembling a detailed list of what the neighborhood needs, including sanitation kits, water and medicine. But he doesn't know who to give the list to.

Erick Cadret, 51, has spent days digging and whacking away at a pile of concrete that used to be his home. First he was trying to rescue his 14-year-old daughter, who lay underneath. He managed to free her after eight hours, but she didn't survive. More recently, he's been trying to salvage what he could from his home.

"I have nothing," he said as he hit a block of cement with an old hammer. "I need to find something from this house, or I'll continue to have nothing."

Scenes like these take a severe toll on Mr. Bigot and his neighbors. There is so much to do, it's nearly impossible to know where to start. It's not uncommon to see groups of young men in their 20s or 30s, sitting together smoking cigarettes and drinking beer, but barely speaking, having run out of things to say after spending hours together.

"Only the strong can survive this," said Javier Ford, 34. "Our brains are being turned upside down."

In the afternoon, a new scare: The possibility of rain. With so many people living under tents made of cloth, even a drizzle can be a disaster. People scrambled to try to protect their belongings. To general relief, the drizzling petered out.

The boy finally returned with some gas. But they couldn't get the SUV started. Dusk fell. Mr. Bigot's first full day home came to an end.

On Wednesday, Mr. Bigot finally got the SUV rolling and decided to make his first foray out into the city to look for relatives. Just as he was about to leave, he broke out in a sweat, vomited and began crying. "I don't want to see too much, because I'll cry too much," he said, holding a bottle of water with a shaking hand. "I'm afraid of what's out there. I feel all this pressure coming down on me."

Eventually, he set out, but only after arranging for someone else to drive so he could close his eyes to sights he didn't want to see. He wore a mask to help protect against the stench. Passing a collapsed school, he closed his eyes.

Besides tending to basic needs, Mr. Bigot's biggest task is figuring out how he can get his wife and daughter out of Haiti. His 2-year-old is a U.S. citizen, Mr. Bigot says, but his wife needs a visa.

They were supposed to be in the U.S. back in December. But because of an incorrect address, paperwork was delayed, Mr. Bigot says. The family has an appointment at the U.S. Embassy this Monday, which was scheduled before the quake. But Mr. Bigot isn't sure whether the appointment will be honored, given the crisis.

Nighttime in Port-au-Prince is pitch black. There's no electricity. The darkness is punctuated with the sound of groups of friends entertaining themselves by singing folk songs and spirituals.

It's also a fearful time, and by midweek Mr. Bigot's neighborhood—like many in the city—was swept with concerns that escaped convicts from quake-destroyed jails could be causing trouble nearby.

That partly explains Wednesday night's beating death of the man caught stealing some plantains. One of the men who participated in the beating claimed that the thief was, in fact, an escaped convict. "We have to be the police now," he said.

By the time Thursday dawned, Mr. Bigot finally had absorbed the scope of the destruction and said he was feeling better. "I'm getting used to it," he said. "I'm letting things be."

Driving out into the city to begin in earnest his effort to rebuild and ultimately return to Miami, he got caught up in a massive traffic jam of cars, taxis, buses, trucks flooding out of Haiti, toward the border with the Dominican Republic—the route he had taken into Haiti just a few days earlier.

"Looks like no one wants to stay here," Mr. Bigot said.

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Online today: See photos from Mr. Bigot's trip to Haiti **at WSJ.com/Haiti**

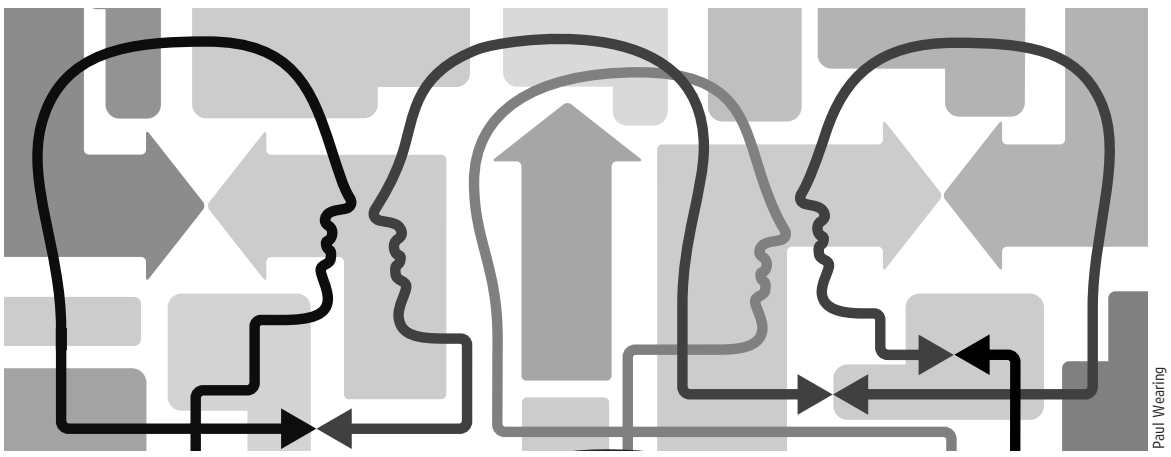
THE JOURNAL REPORT: BUSINESS INSIGHT

IN COLLABORATION WITH MITSloan Management Review

GOVERNANCE

Why Diversity Can Backfire On Company Boards

Too often, it can lead to personal battles and inhibited discussions. Here's how to make it work.



Paul Wearing

By Jean-François Manzoni, Paul Strebel And Jean-Louis Barsoux

When it comes to corporate boards and diversity, the conventional wisdom is simple: Diversity is good. When directors are too alike, the thinking goes, they look at problems—and solutions—the same way. There's no one to challenge prevailing ideas, or to speak out on issues important to certain groups of customers and employees.

By contrast, diversity leads to more innovation, more outside-the-box thinking and better governance.

Sounds great. And it is, *in theory*. Unfortunately, few boards that pursue diversity ever see the wished-for returns. Many report no significant change in their performance, while others bog down in conflict and gridlock.

Why the gap between potential and reality? Why does it appear to be a lot easier to appoint a diverse board than to make it function well?

Blame it on human nature: As much as diversity is something we prize, the truth is that people often feel baffled, threatened or even annoyed by persons with views and backgrounds very different from their own. The result is that when directors are appointed *because* their views or backgrounds are different, they often are isolated and ignored. Constructive disagreements spill over into personal battles.

But the solution is not to give up and avoid diversity. Rather, boards need to minimize the friction that diversity often introduces. To unlock the benefits, in short, boards must learn to work with colleagues who were selected not *because* they fit in—but because they *don't*.

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Our research sheds light on some of the hurdles that diverse boards face, and on solutions for maximizing the benefits such boards offer.

Where Diversity Goes Awry

Initial Encounters. The problems start from Day One. At the very first meeting, directors will scrutinize the words and behavior of new and atypical colleagues for signals about their competence and personality. Depending on why they were appointed to the board, the newcomers run the risk of being saddled with all sorts of stereotypes. "Typical minority." "Typical accountant." "Politician." "Activist." And so on.

If the new member asks too many basic questions, for instance, he becomes "clueless" or "high maintenance." If she says nothing, she's "insecure." Unbridled enthusiasm, meanwhile, particularly from a specialist, could be seen as "posturing" or posing a threat to an existing director's expertise in that area.

A company we work with added a woman designer to its board—the only woman on the board—with a background attuned to the future of the industry but very different from its present. After the first meeting, during which she took an oblique perspective on many issues, some directors were already expressing doubts about her contributions. After just one meeting, she already had been pigeonholed.

Impressions Last. Once a label is on, it can be all but impossible to remove. Directors who quickly take a dim view of a colleague will tend to process all subsequent information in ways that support their initial opinion—and to block information that doesn't fit. If a new member's commitment is doubted, for example, a non-reaction might be read as disinterest, even though the member actually agreed.

Cultural Differences. Signals easily get crossed due to cultural differences. Directors with broadly different experiences will behave in unexpected ways that may be misinterpreted—as disruptive or aggressive, for example. Behaviors like interrupting or excitability may have been the norm in a director's previous surroundings, but they can raise eyebrows where they aren't generally accepted.

Confirmation From Others. Current board members also will compare notes on the newcomer in an attempt to define his or her character. That makes perfect sense. But realize that they are usually turning to like-minded colleagues, who often not only confirm the view but reinforce it with observations of their own that support the bias.

Reinforcing Behavior. When people are regarded as difficult—or unimportant—some of their colleagues may begin to interact with them in a brusque or forceful manner. Once judged unfavorably, such people usually are excluded from informal interactions that take place before and after meetings, which further limits their involvement. Having contact only when it's required also means there's less opportunity for directors to develop more rounded views of that individual.

The reactions of the new members themselves can be a source of friction, too. They may be defensive or overly sensitive to stereotyping—seeing slights where none were meant (or where they were). They may succumb to stereotyping themselves. The bottom line is, when a lack of trust or respect develops, the new director can become more reluctant to contribute—or more strident. In either case, such behavior is likely to move them to fringe status on the board.

Groupthink. Conflicts that at first affect only a few members can spread to and impair the performance of the entire board—inhibiting discussion, innovation and decision-making. In the worst cases, the situation turns into a vicious circle that can't self-correct. Part of the problem is that boards typically gather infrequently, and in rather formal settings, leaving few opportunities to correct false impressions and iron out the tensions.

Existing directors may unite in defensive reaction to the new member and become more entrenched in groupthink. For example, studies show that lone women on boards often report feeling isolated and ignored. Adding a second woman seems to make the problem worse, leading to false perceptions of collusion between the two. Only when there are at least three women do their colleagues accept them as something more than "female directors." The women, too, say they feel less self-conscious and less concerned about representing "their gender."

A War Between Factions. Sometimes, boards become polarized or split into factions determined by how the different members perceive the new director and his or her contributions. For instance, the appointment of a foreign national may sharpen differences between domestic and overseas directors. Over time, a pattern of "us-and-them" relations evolves.

Avoiding the Conflict

The good news is there are ways to handle all of these potential conflicts. Most of the friction can be avoided, or at least kept to a minimum, by following some simple strategies.

Choose Members Carefully. When board members are choosing a new director who will bring diversity, they should think carefully about personality. Newcomers need to be savvy and aware of how they come across to others. The more different they are from the rest, the more they'll need to work at winning over skeptical colleagues.

Ability to disagree constructively should be high on the list of desired characteristics, as well as experience dealing with new kinds of people and situations. The newcomer needs to become part of the group even as he or she challenges it.

Board members looking to hire a new director should also guard against biased thinking—by themselves and their colleagues—as early as the interview stage. When interviewers catch themselves thinking "she/he just doesn't get the business," they can also remind themselves that this will also allow the newcomer to ask questions the board stopped asking long ago.

Assist Newcomers. The chairman or chairwoman should pay close attention to the way new directors are introduced, especially if they have divergent profiles. Newcomers must have a chance to make a favorable first impression and to connect with others in a benign setting—before their first official board meeting.

The chairman should identify the board member likely to connect best with the incoming director and ask him or her to make a friendly phone call or meet for coffee. Giving newcomers insights into the board's operating philosophy and culture up front can help avoid gaffes early on. Debriefings after meetings can help, too.

At the first official board meeting, the chairman can help the newcomer get off to a good start by calling on him or her to comment about a particular issue. This can signal the new director's area of expertise, helping them make contributions right away without seeming presumptuous. But the chairman must be careful not to pigeonhole the new director—for example, by inviting the newly appointed female director to "give us the women's perspective on this issue."

Don't Give In to Get Along. Dissenting voices can be necessary to pick up on issues that chief executives may be missing. But sometimes diversity inhibits pushback. Some directors, for example, may hold their tongues in order not to trigger hostilities between warring factions.

Diverse boards must not be afraid of conflict, as long as it is constructive and civil. Boards that have difficulty discussing their differences, or reconciling them, make it easy for the CEO either to dismiss what they are saying or to listen exclusively to their supporters on the board. The board thus fails in its governance role.

Encourage Initial Dissenters. New directors sometimes tire of the struggle of making themselves heard. Feeling isolated and ignored, they end up self-censoring.

Sometimes they won't speak up for fear of being alone in their opinion, even though they were put on the board for their unique perspective. Other members may have the same opinion but also remain silent, not realizing another person thinks the same thing.

The chairman or lead director must go out of his or her way to make it easy for board members to express vague concerns as a way of finding out whether those views are more widely shared.

The chairman may have to draw out the newcomer, particularly on issues outside their comfort zone: "Mary, you haven't said anything." If Mary responds, "Well, I'm not an expert," the chairman may need to insist: "I understand, but we still value your candid way of looking at things."

Have Members Share the Role of Devil's Advocate. Boards often have need of a devil's advocate. But it shouldn't always be the same person, and particularly not a director who was appointed because his or her views differ from the group's. Anyone who always looks at issues critically may end up being typecast as an "oddball" or a "cynic" whose comments should not be taken too seriously.

One way around the problem is to choose a different director to play devil's advocate at each meeting. The choice can depend on the issues to be discussed. Or ask for volunteers.

This is also a way to help reluctant lone dissenters test whether others share their opinion.

Review the Role of the Chairman. Increasing a board's diversity is ultimately a test of leadership. If the process isn't managed well from the start, it's not going work.

Sometimes the role of the chairman or lead director has to change from chief strategist to that of a facilitator. Required skills for this include the ability to keep discussions on track, bridge gaps between people, elicit the viewpoints of those who are less opinionated, and cut to the heart of issues without bruising egos.

Such a role can be challenging for a chief executive who doubles as chairman or chairwoman. Patiently encouraging views that run counter to the mainstream, or those of leadership, isn't something that comes naturally to many CEOs.

Thus, a board that decides to pursue more diversity should seriously consider separating the roles of chairman and CEO, if it hasn't done so already.

WSJ.com

ONLINE TODAY: Hear Jean-François Manzoni on how companies can size up personalities to prevent board conflicts and build a team where differences complement one another. He talks with the Journal's Jennifer Merritt, at **WSJ.com/BusinessInsight.**

GLOBAL BUSINESS

Advice for Outsourcers: Think Bigger

Too many companies mistakenly limit offshore work to routine tasks

By Kannan Srikanth
And Phanish Puranam

When Western companies decide to source work from abroad, they often pick jobs that are routine, standardized and easy to learn—things like software support and call-center operation.

The thinking is that the easier it is to explain to offshore workers exactly what to do, the more successful the operation will be.

We believe these companies may be thinking too narrowly about the benefits of offshoring.

Based on a study of 130 offshore operations in India, we discovered that what really determines success versus failure isn't the ease with which knowledge can be transferred from one location to another. Instead, the key is managing teamwork—that is, helping onshore and offshore workers whose jobs are linked coordinate their work effectively. We found that the projects that paid close attention to managing coordination performed almost four times as well as their less-successful counterparts.

More broadly, our research has implications for what kind of work is "offshore-able." We believe that if Western companies focused more on fostering collaboration between workers separated by geography and culture, and less on forcing offshore workers to perform tasks in very specific ways, the range of work they could source offshore would be significantly expanded. Companies struggling to fill talent gaps in semiconductor-chip design, drug discovery, engineering and other intellectually complex areas could draw on high-quality and growing talent bases in countries like India and China.

David Plunkert

Companies have several options when it comes to managing coordination between offshore and onshore teams. The strategy they choose may depend on the type of work involved.

Black Box. One of the easiest ways to ensure coordination across locations is to minimize the need for employees from different geographies to interact on an ad-hoc basis. This is known as "black-boxing."

A mortgage company, for example, might have a loan originator in London fill out a form indicating the income levels and creditworthiness of potential customers. A risk evaluator in Bangalore, India, then uses that form to grant or deny loans. Everything the evaluator needs to make a decision is captured on the form, so the originator and evaluator don't need to talk.

The problem is, some work doesn't lend itself well to black-boxing. Many tasks require employees to pass along subjective information to colleagues working in other departments. And that kind of coordination becomes much more challenging when workers can't walk over to the next cubicle and have a face-to-face conversation.

Easing Communication. Companies can focus on opening up the channels of communication by making it easier for workers to communicate via email and telephone. Some also invest in technologies such as videoconferencing and set bigger travel budgets so that offshore and onshore workers can meet frequently. But communication using videoconferencing isn't effective in discussing complex work, and it can be difficult to coordinate when employees work in different time zones. Frequent international travel, meanwhile, is expensive.

Common Ground. Another option is to focus on building common ground—essentially, shared knowledge—across locations, so that employees working offshore can anticipate the actions and decisions of their onshore counterparts without the need for extensive discussion.

How does common ground work in practice? Say programmers in India and London are working on different pieces of the same project. Typically, one group would have to wait for the other group to complete its work, then discuss what was done before being able to start its part of the project. But if those workers can anticipate, based on their shared knowledge, what decisions the other group is going to make, both teams can work simultaneously on their respective pieces.

Still, common ground isn't something that can be built overnight.

Some companies try to create common ground by embracing technologies that enable people to see work across locations as it is being performed. Other companies staff projects with people who have worked together before or have been trained in a similar manner. Employees with similar experiences can better anticipate the decisions their colleagues are going to make and base their actions accordingly. Still other companies make offshore and onshore workers adopt the same business vocabulary. Many terms have technical meanings within companies that don't make sense to anyone on the outside—an acronym for an internal project, for example. Communication becomes vastly easier if everyone is able to understand each other in conversation and emails without having to ask for clarification.

As the practice of offshoring evolves, we expect the issue of long-term coordination to gain prominence relative to the current emphasis on simple, standardized work. We believe companies seeking to gain significant advantage from offshoring will more often ask the question: "How effectively can this business process be coordinated with other work," rather than, "How easily can offshore employees be taught to do this job?"

Dr. Srikanth is an assistant professor of strategy at the Indian School of Business in Hyderabad, India, and an affiliate with the Strategic Organization Design Unit at the University of Southern Denmark in Odense, Denmark. **Dr. Puranam** is a professor of strategic and international management and co-director of the Aditya Birla India Centre at the London Business School in London. They can be reached at **reports@wsj.com**.

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JOURNAL PODCAST: Kannan Srikanth tells the Journal's Jennifer Merritt how companies can gain from moving complex work overseas even if it doesn't save them money, at **WSJ.com/BusinessInsight.**

TECHNOLOGY

The IT Platform Principle: The First Shall Not Be First

By Gezinus J. Hidding,
Jeffrey R. Williams
And John J. Sviokla

One of the fiercest rivalries in the information-technology world has long been over platforms—products that link users in networks, like iTunes for online music or Windows for computer operating systems. It's often a winner-take-all business; platform leaders can earn huge profits as they tend to dominate markets with few serious competitors.

A myth, however, has attached itself to the history of platforms: that each platform's originator has the best chance of dominating its market for years to come.

The truth is, that is rarely the case.

Instead of there being an advantage to being first, we found the opposite to be true. Most owners of leading IT platforms today did not create the markets they now rule. In almost all of the industries we studied, the current platform leaders introduced their products after a different company had already established the market with a platform of its own.

Out of the 15 platform industries that we studied, 14 of the current leaders began as followers in a market created by a competitor's platform. In only one market, for integrated business software, was the original platform creator still the leader—SAP AG. Five were fast followers, which we define as the second, third or fourth company to enter a market. The other nine were later followers.

To us, this suggests that while platform creators may reap early financial gains (mostly by selling to followers), long-term advantage goes to the followers.

Why would this be?

Easier to Imitate

For one thing, followers are imitating or improving a product, which is easier than inventing one. They can focus marketing on why their products are better, instead of having to explain what their product is and does. For instance, online auction sites already existed when eBay Inc. founder Pierre Omidyar created his company. But those earlier sites were run by businesses selling to consumers. EBay changed the concept to one in which consumers would sell to consumers.

Fast followers also can benefit by timing their product's launch closer to the point where the market's growth will take off. **Amazon.com** Inc. started selling books online in 1994, a few years after **Book Stacks Unlimited**, but at a time when the Web and e-commerce were poised to surge with new users and technological features.

Late followers seek to offer a platform's next generation—one with higher performance but also compatibility with existing products. A late follower's innovations can be incremental but still significant. Apple Inc.'s iPhone, for example, came late to the smart-phone industry but carved out a new platform by blending three formerly separate functions: cellphones, personal digital assistants and personal computers. Research In Motion Ltd.'s BlackBerry predates the iPhone as a smart phone with PDA features, but Apple's product offered key new features of a touch screen and applications that users can purchase or design themselves.

Staircase Strategy

Another key to platform extension and survival is the use of so-called staircase strategies, which treat product innovations as part of a long-term vision of how the existing platform can be linked to future advantage. Staircase strategies fuel revenue growth by making it easy for consumers to upgrade to new versions with improved features while maintaining the products' compatibility with the old versions.

Microsoft Corp., for one, has repeatedly used staircase strategies. Early on, companies like WordPerfect, VisiCalc and Harvard Graphics dominated PC applications. But Microsoft responded by making its Word, Excel and PowerPoint programs (all follower products) compatible with one another, with existing products (like Lotus 1-2-3), and with the Windows operating environment. By emphasizing the ease with which customers could move from one application to the other, the company encouraged consumers to buy its entire suite of applications, which became the Office platform. Later, by acquiring and developing applications that worked on both Windows 95 and Windows NT—platforms that the company later merged—Microsoft successfully bridged the gap between home and office software markets.

Attempting to establish a platform can be one of the riskiest but also most lucrative strategies a company can pursue. It requires long-term commitment, including detailed product and marketing plans that extend years into the future. It can take years before turning a profit. But if it succeeds, it is well worth it. Because if a platform doesn't manage to stay on top, it will fail.

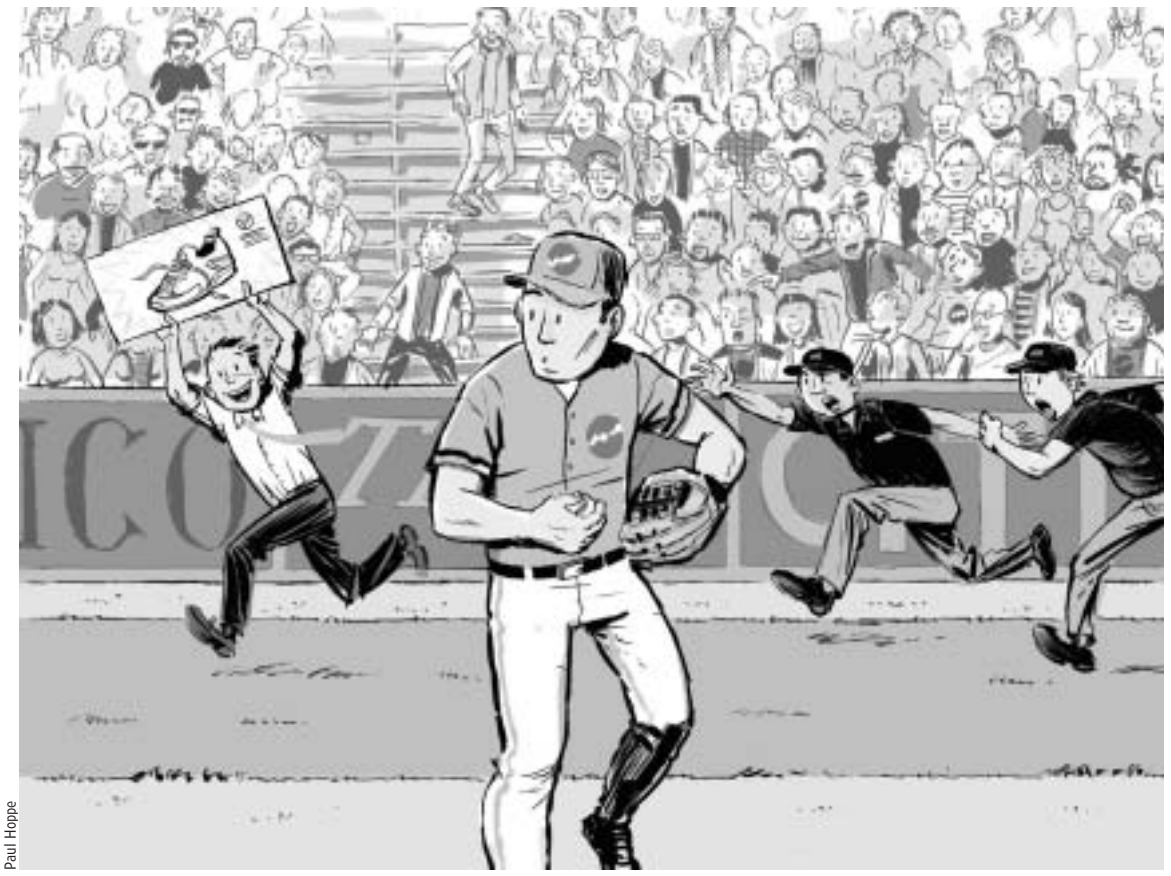
Dr. Hidding is an associate professor at Loyola University, Chicago. **Dr. Williams** is a professor at Carnegie Mellon University, Pittsburgh. **Dr. Sviokla** is vice chairman of Diamond Management & Technology Consultants, Chicago. They can be reached at **reports@wsj.com**.

MARKETING

Ambushed!

Sponsors pay a lot to link their brands to sporting events. Then there are those who get those links for nothing.

By Simon Chadwick And Nicholas Burton



Paul Hoppe

There's a war going on in the business of sports.

On one side are the sponsors that pay millions of dollars for their brands to bask in the publicity surrounding certain teams and events. On the other: a growing number of companies that crowd into the spotlight without paying—sometimes by bending, or breaking, the rules.

That's pretty galling to the companies that spent an estimated $43.5 billion last year for what they thought were exclusive sponsorship rights with teams, leagues and events around the world. It irks the organizations that sell those rights, too, since it hurts their ability to command high prices—something they can ill afford. A spokesman for the International Olympic Committee, for example, estimates that sponsorship fees make up about 40% of total revenue for the Olympic movement, which comprises the IOC, national Olympic organizations and Olympic committees of the host cities.

Ambush marketing, as it's called, assumes many forms these days. Originally it described a brand's attempt to associate itself with a team or event without buying the rights to do so, in order to detract from a rival that paid to be an official sponsor. In one of the best-known examples, American Express Co.rolled out television ads in 1992 with scenes of Barcelona, Spain, the host city of the Summer Olympics that year, and a message that said "You don't need a visa" to visit Spain. Visa Inc., an official sponsor of the Olympic Games, complained loudly. Amex has said that the commercials did not refer to the Olympics and were not an attempt to ambush Visa.

But as the popularity of sports as an ad platform has ballooned—spending on sports-related marketing has reached nearly $100 billion a year, by some estimates—so have attempts at ambushing. As a result, our definition of ambush marketing has to change. Today, increasing numbers of companies try to hitch their brands to the biggest publicity magnets in sports without paying for rights. And they do it in all sorts of ways, from one-off stunts to long-term campaigns.

Indeed, contemporary ambush marketing appears to have evolved into a marketing tool all its own. As one sponsorship executive we interviewed noted, some companies use ambush marketing as just another way to publicize and market their goods, with no motives concerning their rivals' activities in the same area.

Sports organizations are doing more to protect their investments, and those of their sponsors. The IOC, for one, now requires broadcasters of the Games to offer official sponsors first rights of refusal for advertising time during programming. Bids from potential host cities, meanwhile, are required to include guarantees that legislation will be in place to "reduce and sanction" ambush marketing, and that street vending will be eliminated and outdoor and public-transport advertising controlled from two weeks before the opening ceremony until the official closing. The rules include a "binding option" to purchase all available outdoor and public-transport ad space "in the host city and in cities having an operational role in the staging" of the Games.

In general, however, efforts to prevent ambushing continue to enjoy limited success as the strategies ambushers use continue to multiply.

As the rules of the game change, companies must do more to recognize the various forms of ambushing. With a clearer understanding, organizers and sponsors stand a much better chance of protecting their investment. With this in mind, we propose the following updated breakdown of ambushing, including its strategies and the threats to sponsors, rights-holders and event organizers.

> Speedo's swimsuits were mentioned frequently during the Beijing Games even though the company wasn't a sponsor.

Direct Ambush Activities

This is when a brand intentionally tries to make itself seem associated with an event or property for which it has purchased no rights and is not an official sponsor. Some companies choose to do this mainly to attack rivals; others do it just to capitalize on the large audience generated by the event or team.

Predatory Ambushing: Intentionally attacking a rival's official sponsorship in an effort to gain market share and to confuse consumers as to who the official sponsor is. A good example is the Amex campaign used against Visa during the 1992 Summer Games.

Coattail Ambushing: The attempt by a brand to directly associate itself with a property or event by using a legitimate link other than becoming an official sponsor of the property or event. For example, a sports-apparel company may sponsor an athlete who is participating in an event not sponsored by the brand, an event that perhaps is even sponsored by a rival brand.

Property Infringement: The intentional unauthorized use of protected intellectual property. Such properties can include the logos of teams or events, or making use of unauthorized references to tournaments, teams or athletes, words and symbols.

Self-Ambushing: Marketing activities by an official sponsor above and beyond what has been agreed on in the sponsorship contract. This includes things like handing out free promotional T-shirts at a game, without the sports organization's permission. The brand may have already covered the stadium with its signs, or the organization may have earlier agreed to let a different brand hand out shirts. In either case, it clutters the marketing space, ambushes the organization the brand is supporting and infringes upon other official sponsors.

Indirect Ambushes

These are defined as the intentional association of a brand with an event or property through suggestion or indirect reference. As in direct ambushes, many companies using this type of ambush marketing see it as simply another way to publicize and market their goods, with no motives concerning their rivals' sponsorship activities.

Associative Ambushing: The use of imagery or terminology to create an allusion that an organization has links to a sporting event or property. In the summer of 2008, for example, marketing campaigns by Nike Inc. made frequent use of the number 8—a symbol of luck and fortune in China, as well as a symbol for the Games. Nike was not a sponsor of the Beijing Games.

Asked to comment for this article, a Nike spokesman noted that the company is a sponsor for teams and athletes who compete in the Olympics. The spokesman wrote in an email, "With respect to all our product and campaigns, we respect the intellectual property rights of others (including the IOC and our competitors), and always strive to remain within legal boundaries."

Distractive Ambushing: Setting up a promotional presence at or near an event without making specific reference to the event itself, its imagery or themes, in order to intrude upon public consciousness and gain awareness from the event's audience. Commonly used at Australian and European sporting events, such efforts have varied from product displays to flying branded blimps or hot-air balloons over stadiums.

Values Ambushing: The use of an event or property's central value or theme to imply an association with the property in the mind of the consumer. In its soccer-related advertising during the spring and summer of 2008, for example, Germany's Puma AG included the slogan "June 2008: Together Everywhere." The European soccer championships were played that month, and the tournament's own marketing was emphasizing themes of unity and anti-racism.

A Puma spokeswoman says its campaign was part of the company's seasonal soccer ad campaign and was meant to be "a reflection of bringing football fans from all over the world together during a football tournament." Being a leading soccer brand, Puma "would be remiss" if it didn't "recognize" such events, the spokeswoman added. Puma is majority-owned by France's PPR SA.

Insurgent Ambushing: The use of surprise street-style promotions at or near an event, including giveaways outside events. For example, on a major road leading to the 2008 French Open tennis tournament in Paris, sports-shoe and apparel-maker K-Swiss Inc. parked a car that appeared to have been squashed by a giant K-Swiss-branded tennis ball. Across the street, a K-Swiss van distributed gifts and marketing materials highlighting the brand and its involvement with tennis.

K-Swiss did not respond to requests for comment.

Parallel Property Ambushing: The creation or sponsorship of an event or property that is somehow related to the ambush target and competes with it for the public's attention. For instance, seven days after the Beijing Olympics ended, Nike launched an annual, one-day global running event held in cities across the world.

Incidental Ambushing

This is when consumers think that a brand is a sponsor or is associated with an event or property without any attempt on the brand's part to establish such a connection. Even if it's not intentional, this kind of ambushing can be an issue for the host organization and for other sponsors because it clutters the marketing environment.

Unintentional Ambushing: Sometimes media coverage will mention equipment or clothing used by an athlete, or a company that is providing a service in support of an event. Even though the brand is not a sponsor and was not actively attempting to ambush other sponsors, consumers can come away thinking the company is an official sponsor. Thus it gains some of the same benefits as sponsors without paying for the rights.

Speedo, for example, was mentioned frequently during the Beijing Games due to the success of swimmers wearing its LZR Racer swimsuits. In marketing studies after the Games, consumers incorrectly identified Speedo as a sponsor. Such incidents can distract rights-holders and organizers from defending sponsors against direct threats.

A spokesman for Speedo, which is owned by Pentland Group PLC of the U.K. but licensed in North America to Warnaco Group Inc., says the publicity the LZR received during the Games was due to "the incredible performances" of the swimmers.

Saturation Ambushing: Saturation ambushers increase their advertising and marketing at the time of an event, but make no reference to the event itself and avoid any associative imagery or suggestion. Their goal seems to be simply to capitalize on the increased broadcast media attention and television audiences surrounding the event.

WSJ.com

JOURNAL VIDEO: Ben Sturner, president of the Leverage Agency, a branding and sponsorship firm, shows how ambush marketing has grown more sophisticated and harder to defend against, at **WSJ.com/BusinessInsight.**

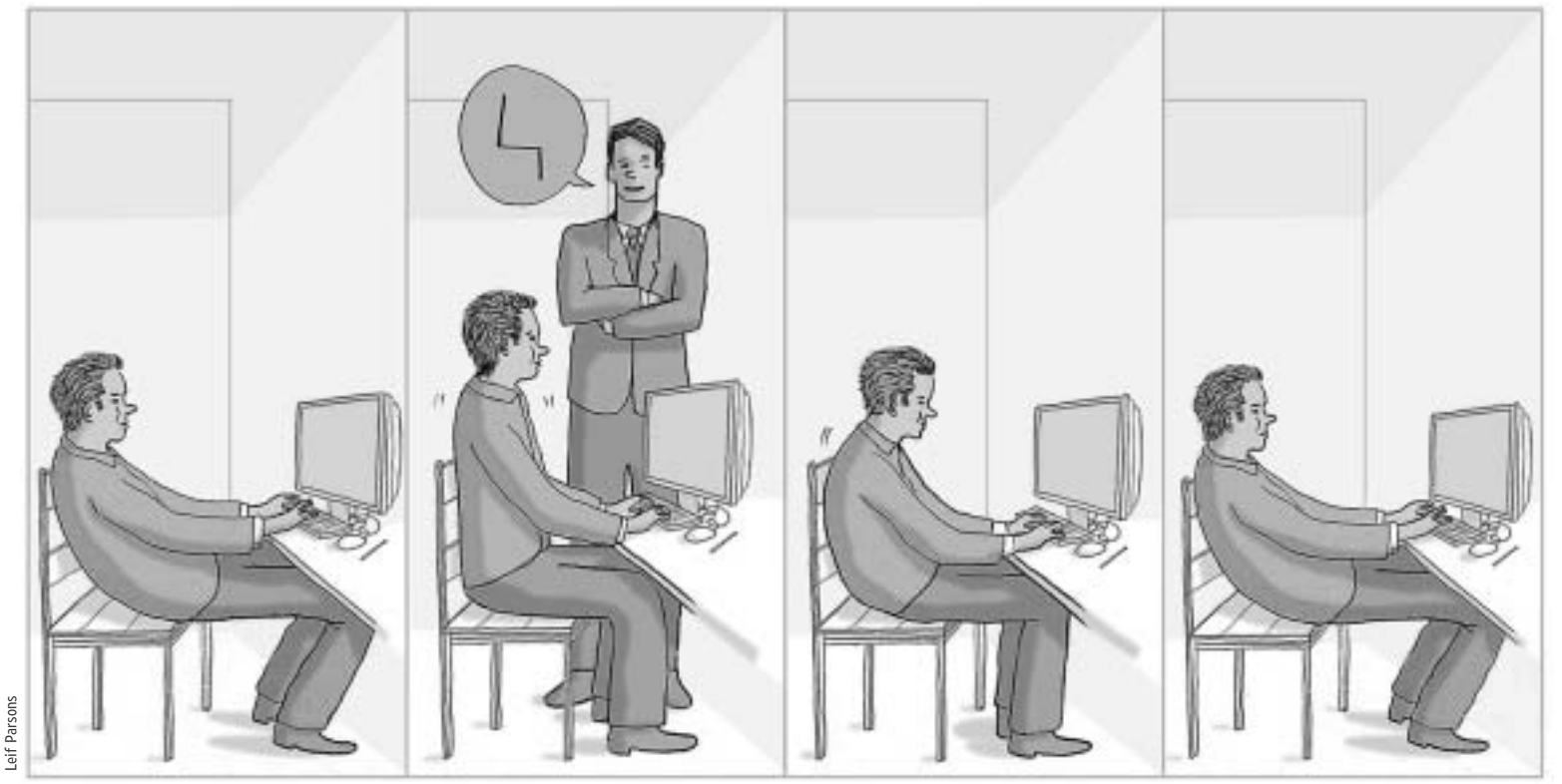
Prof. Chadwick is the chair in sport business strategy and marketing at Coventry University Business School, Coventry, England, where he is also the founder and director of the Centre for the International Business of Sport. **Mr. Burton** is a doctoral candidate and research scholar at Coventry University Business School, and researcher for the Centre for the International Business of Sport. They can be reached at **reports@wsj.com**.

OPERATIONS

Where Process-Improvement Projects Go Wrong

Six Sigma and other programs typically show early progress. And then things return to the way they were.

By Satya S. Chakravorty



Leif Parsons

What do weight-loss plans and process-improvement programs such as Six Sigma and "lean manufacturing" have in common?

They typically start off well, generating excitement and great progress, but all too often fail to have a lasting impact as participants gradually lose motivation and fall back into old habits.

Many companies have embraced Six Sigma, a quality-control system designed to tackle problems such as production defects, and lean manufacturing, which aims to remove all processes that don't add value to the final product. But many of those companies have come away less than happy. Recent studies, for example, suggest that nearly 60% of all corporate Six Sigma initiatives fail to yield the desire results.

We studied process-improvement programs at large companies over a five-year period to gain insight into how and why so many of them fail. We found that when confronted with increasing stress over time, these programs react in much the same way a metal spring does when it is pulled with increasing force—that is, they progress though "stretching" and "yielding" phases before failing entirely. In engineering, this is known as the "stress-strain curve," and the length of each stage varies widely by material.

A closer look at the characteristics of improvement projects at each of the three stages of the stress-strain curve —stretching, yielding and failing—offers lessons for executives seeking to avoid Six Sigma failures.

What follows is based on what happened at one aerospace company that implemented more than 100 improvement projects, only to determine less than two years later that more than half had failed to generate lasting gains:

Stretching Phase

When a metal spring is pulled initially, the material stretches to accommodate the increase in pressure. In much the same way, the people involved in a process-improvement project generally find themselves stretching and willing to tackle all necessary tasks in the early going.

At the aerospace company, an improvement project typically began with the formation of a team consisting of 10 to 18 members from various departments.

A Six Sigma or other improvement expert was assigned to the team to guide and train them. At this stage, teams were excited to learn and apply what they were being taught.

Team members collected data on their current working environment and, with the help of the Six Sigma expert, identified the changes they most needed to make to achieve their stated goal—say, a reduction in the rate of defects in manufactured parts or fewer mistakes in order writing and billing. The expert developed a "to do" list that included action items, responsibilities and deadlines and made sure needed resources were available.

Because top executives were paying close attention to the project at this stage, managers made clear to employees that the improvement initiative was their top priority. For example, producing error-free bills became more important than processing a certain quantity of bills each day.

While daily production slipped initially when the team transitioned to the new way of working, it improved when the group grew accustomed to the new process. When the team reached its goal—say it reduced billing errors by a certain percentage—the improvement project was declared a success.

The director who was spearheading the company's Six Sigma initiatives shared the teams' achievements with others in the company. Team members were given rewards such as gift certificates to restaurants, and their pictures appeared in the company newsletter. The division vice president reported on the team's success to the company's other vice presidents and to its top executives.

Yielding Phase

Unfortunately, the story doesn't end there.

If a metal spring continues to be pulled, there will come a point when the material yields as it struggles to support the increase in pressure. Though still intact, the spring becomes permanently deformed—stretched out, for example—as the bonds between atoms are broken and new ones formed.

Similarly, in the middle stage of an improvement project—when the Six Sigma expert moves on to another project and top management turns it focus to another group of workers—implementation starts to wobble, and teams may find themselves struggling to maintain the gains they achieved early on.

With the departure of the Six Sigma expert, the teams at the aerospace company lost their objective voice and the person who performed the sophisticated statistical analysis that allowed them to prioritize the tasks that most affected performance, thus needed fixing the most. Without the expert to rein them in, some team members began pushing agendas that benefited themselves and their departments, making it harder for the team to agree on new goals.

While teams at this stage continued to look for the flaws in their current working environments, they got bogged down trying to perform the statistical analysis previously handled by the expert. Some teams started spending too much time on the improvement project, which affected their ability to meet production quotas and other daily responsibilities.

Amid the confusion and facing pressure from managers to keep up with day-to-day duties, some team members started reverting to old habits in much the same way a person who recently lost weight might start skipping gym sessions when work and family demands heat up. The team's performance stopped improving and, in some cases, started to regress.

When reporting on the status of their projects, teams tried to make themselves look better by highlighting what they hoped to accomplish in the future, instead of what they were accomplishing now. Some team members became discouraged and started to doubt the benefits of the improvement strategies.

The improvement director, whose salary and bonus depended on the success of the company's Six Sigma initiatives, highlighted projects that were showing great progress and ignored those that weren't. As a result, company executives were unaware that some improvement teams were slowly starting to crack under the pressure.

Failing Stage

Over time, pulling will cause the material in one area of the metal spring to narrow, creating a neck that becomes smaller and smaller until it is unable to sustain any pressure at all. At that point, it breaks into pieces. Similarly, in the final stage of a process-improvement project, team members find themselves unable or unwilling to tackle improvement tasks, and the effort ultimately collapses.

With the improvement expert long gone and no additional training in Six Sigma or other improvement strategies provided by the aerospace company, team members became increasingly discouraged by their failure to build on earlier success. They eventually stopped caring about the improvement project, partly because it wasn't tied to their performance reviews.

As morale sagged, no one stepped forward to assume leadership of the improvement project, so the team lost interest in looking for ways to improve their current work environment. The company allowed newly formed improvement teams to poach people and resources from older teams, so the only improvements that were made were those related to safety—and even then, only the bare minimum was done. Members steadily regressed to their old ways of working, and the group's performance returned to what it had been before the project began.

With projects failing miserably, many teams reported their achievements incorrectly, giving a false sense of success. Because the director continued to communicate only about projects that were showing excellent results, it took several months for the division vice president to become aware of the widespread failures and reluctantly inform the company's top executives.

Lessons Learned

Four lessons from our research stand out.

First, the extended involvement of a Six Sigma or other improvement expert is required if teams are to remain motivated, continue learning and maintain gains. If the cost of assigning an improvement expert to each team on a full-time basis is prohibitive, one improvement expert could be assigned on a part-time basis to several teams for an extended period of one to two years. Later, managers could be trained to take over that role.

Second, performance appraisals need to be tied to successful implementation of improvement projects. Studies point out that raises, even in small amounts, can motivate team members to embrace new, better work practices. Without such incentives, employees often regress to their old ways of working once the initial enthusiasm for Six Sigma dies down.

Third, improvement teams should have no more than six to nine members, and the timeline for launching a project should be no longer than six to eight weeks. The bigger the team, the greater the chance members will have competing interests and the harder it will be for them to agree on goals, especially after the improvement expert has moved on to a new project. And the longer it takes to implement improvements, the greater the chance people and resources will be diverted to other efforts.

Fourth, executives need to directly participate in improvement projects, not just "support" them. Because it was in his best interests, the director in charge of the improvement projects at the aerospace company created the illusion that everything was great by communicating only about projects that were yielding excellent results.

By observing the successes and failures of improvement programs firsthand, rather than relying on someone else's interpretation, executives can make more accurate assessments as to which ones are worth continuing.

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For Further Reading

Articles from MIT Sloan Management Review related to the topics in today's Journal Report can be accessed online at **sloanreview.mit.edu.wsj**.

FROM PAGE ONE

White House pushes hard for Bernanke

Continued from first page

"We need his leadership," Mr. Axelrod said. "And the president is very confident that the chairman will be confirmed."

The Senate's top Republican, Mitch McConnell of Kentucky, said on Sunday that he believed that Mr. Bernanke had enough votes to remain Fed chairman. "He's going to have bipartisan support in the Senate and I would anticipate he'd be confirmed." Mr. McConnell said on NBC's "Meet the Press." Mr. McConnell declined to say how he would vote on the issue.

Another Republican senator, John Cornyn of Texas, appearing on "Fox News Sunday," came out in opposition to the Fed chairman. That brings to 16 the number of senators who have said they would oppose him, according to the Dow Jones Newswires tally. Eleven Republicans, four Democrats and one independent, Bernie Sanders of Vermont, have said they would vote no. Mr. Sanders has led the charge from the left against Mr. Bernanke. In the latest Dow Jones Newswires tally, 27 senators have said they would vote to confirm Mr. Bernanke.

Mr. Cornyn said Mr. Bernanke was a "brilliant and honorable man, but one who has presided over what is a crisis of confidence of the American people due to a lack of transparency and accountability with regard to the bailouts and other activities by the Federal Reserve."

Senate Majority Leader Harry Reid of Nevada, who is facing a tough re-election fight, had earlier refused to take a position on Mr. Bernanke's confirmation. He issued another statement late Friday saying he would vote in favor of it but that his support wasn't "unconditional." He said that to merit confirmation, Mr. Bernanke "must redouble his efforts to ensure families can access the credit they need."

Because four senators have put what's known as a "hold" on the nomination, it will take 60 votes to bring the Bernanke confirmation to the floor for a vote. Once that hurdle is cleared, it would take a majority to confirm him. The earliest a vote could come is Wednesday.

No Fed nominee in recent memory has been rejected outright by the Senate. The worst performance in modern times was Paul Volcker's 84-16 confirmation in 1983.

The prospect of a prolonged delay—and possible rejection—of Mr. Bernanke weighed on financial markets. "If there was a sense that Congress really wanted someone better, that would be one thing, but if this is for political theater, that's particularly dangerous," said Jason Trennert, chief investment strategist at Strategas Research Partners.

Warren Buffett, when asked in a CNBC interview last week what would happen if Mr. Bernanke weren't confirmed, said, "Well, just tell me a day ahead of time so I can sell some stocks."

Although seen by many officials and economists as one of the heroes who helped stave off another Great Depression, Mr. Bernanke has been a lightning rod for public anger over the bailout of the banking system and the rescue of insurer American International Group. "It is time for Main Street to have a champion at the Fed," said Sen. Boxer, who is seen as a potential victim of the voter unrest that gave Republicans a Senate seat from Massachusetts this week. "Our next Federal Reserve chairman must represent a clean break from the failed policies of the past."

Until last week, Mr. Bernanke was expected to be bloodied, but get the needed votes. Then at a closed-door caucus of Democratic senators on Wednesday, the day after Democrat Martha Coakley lost to Republican Scott Brown in Massachusetts, a show of hands revealed significant opposition. "He did a good job with the fire hose this last year, but he certainly also–in his roles over the last eight years—he helped create the circumstances that set the house on fire," said Oregon Democrat Sen. Jeff Merkley, a Bernanke foe.

If there's no vote by Jan. 31, Mr. Bernanke is expected to relinquish his post as chairman to Fed Vice Chairman Donald Kohn. Mr. Bernanke would remain on the Fed board since his term as a governor runs until 2020. When Fed policy makers meet this week, they are expected to elect Mr. Bernanke to chair their key monetary policy body, the Federal Open Market Committee, a move in which Congress has no role.

—Sudeep Reddy, Greg Hitt and Mark Gongloff contributed to this article.

Economic team feels heat from both sides

By Jonathan Weisman

WASHINGTON—President Barack Obama picked Lawrence Summers, Timothy Geithner and Ben Bernanke to lead the U.S. through a major economic tumult, largely because of their experience tackling crises.

But what was once an asset is now a liability. All three are under fire from the left and the right, their futures clouded by the very résumés that helped give them their power.

On Thursday, when Mr. Obama laid out tough new proposals to rein in the size and scope of the nation's banking giants, Messers. Summers and Geithner stood at his side, along with former Federal Reserve Chairman Paul Volcker. But it was Mr. Volcker who got credit for what the president called the Volcker rule, which would prevent banks that take federally insured customer deposits from making trades and investments for their own accounts to boost their bottom lines.

"I don't think Geithner and Summers are falling out of favor; they're taking a back seat for now," said Robert Reich, a labor secretary in the Clinton White House. "Economic populism will be in vogue for the next 10 months, as we get to the midterm elections, and Geithner and Summers are about as far from economic populists as you can get."

Mr. Geithner's role as president of the Federal Reserve Bank of New York during the financial collapse of 2008 made him Mr. Obama's first choice for Treasury secretary. The the president wanted a secretary who would soothe the markets and give him instant credibility.

Mr. Summers was something of a political lightning rod with the left, but Mr. Obama wanted to keep his campaign economic adviser close. As deputy Treasury secretary and then Treasury secretary under Bill Clinton, Mr. Summers had steered the country through currency crises in Asia and Latin America and the implosion of the hedge fund Long-Term Capital Management. After the Clinton days, Mr. Summers was president of Harvard University and was also at a New York hedge fund.

Mr. Bernanke was appointed Fed chairman by President George W. Bush, but Mr. Obama renominated him in large part to keep from rocking markets as the nation was beginning to get its footing. He may have been at the helm of the Fed when the crisis was brewing, but his dramatic actions in the face of collapse were praised for pulling the economy back from the brink.

Associated Press

Lawrence Summers, left, and Timothy Geithner both face criticism,

But all three have been sullied by the crisis they helped end. White House officials say the criticism is misplaced. Mr. Geithner has never worked at a financial firm. During Mr. Summers's confirmation hearing for Treasury secretary in 1999, most of the concern centered on his lack of Wall Street experience.

Nonetheless, liberals have castigated Mr. Obama for coddling Wall Street and claim the economic team leaders showed similar favoritism. Last month, Robert Borosage of the liberal Campaign for America's Future wrote, "Time Magazine's naming Ben Bernanke 'Man of the Year' is a little bit like celebrating an arsonist for his heroics in putting out a fire that he set."

Beyond a narrow band of activists who have targeted them, Messers. Geithner and Summers aren't political liabilities, said Tad Devine, a longtime Democratic strategist. "The public at large, if you go to Des Moines for a focus group, they'd have no idea who they are," he said.

But Democrats do see a marked shift in tone coming from the White House, not only in the sudden prominence of Mr. Volcker but in the full-throated populism of the president, ever since he denounced "fat cat" bankers in December.

Rep. Darrell Issa of California, the ranking Republican on the House Oversight Committee, called on Mr. Geithner to resign in March, and has criticized both Mr. Geithner and Mr. Summers about their alleged roles in the shotgun merger of Bank of America and Merrill Lynch.

"It would make sense if they reshuffled the deck of the economic team a bit," said Kurt Bardella, Mr. Issa's spokesman.

Economic recovery hinges on withdrawal from stimulus

Continued from first page

at worst, once the supports are withdrawn.

In a model recovery, spending by households and businesses becomes self-sustaining with help from the so-called multiplier effect. Government stimulus gives a temporary boost to consumption and investment, which generates more income and jobs, which lead to further rounds of consumption and investment.This works best when there's pent-up demand from people who postponed buying goods and services during lean times, and regain the confidence to do so.

But a financial crisis differs from a garden-variety recession. Banks can't or won't lend as normal, individuals and companies have to pay down onerous debts, and households need to save to rebuild shrunken wealth.

In such conditions, private demand can fail to gain traction.

"When you have a recession amplified by a financial crisis, the recovery is a long and painful process," says Harvard economist Ken Rogoff, whose recent co-authored book "This Time is Different" crunches the numbers from financial crises since the Middle Ages.

The past century offers little encouragement. The U.S. economy struggled to achieve a self-sustaining recovery during the Great Depression. Tightening monetary and fiscal policy led to a renewed slump in 1937. Only the giant stimulus of World War Two ended the Depression.

Many Americans feared the end of war production would bring the Depression back. Instead, pent-up demand for consumer goods and housing fuelled a long boom around the capitalist world.

However, today's recovery follows years of consumer excess rather than self-denial. "The idea of 'pent-up demand' is a real stretch just now," says Stephen Roach, chairman of Morgan Stanley in Asia. Consumption, juiced by debt, has made an unsustainably large contribution to U.S. growth for at least a decade, he says.

U.S. households have begun reducing their debts, but most economists say that process has some way to run—especially once interest rates start to rise.

Optimists say debt reduction might make this U.S. recovery weaker than average, but point out that U.S. consumers are already spending more freely than expected.

Whether that outlives the stimulus could hinge on how deeply households break with past habits. If the financial crisis leads to a chastened, more prudent American consumer, then weak growth is more likely to follow today's bounce. That might be healthier for the world economy in the long run. How to break with the recent pattern of unsustainable growth followed by crashes will be a big theme of the Davos gathering.

Europe and Asia face the opposite challenge to the U.S. The dominant economies in each region, Germany and China, need to raise consumers' contribution to growth, and save less.

In both countries, stimulus measures centered on infrastructure investments and consumer incentives—particularly to buy cars—made a quick impact. But neither country has tackled deeper overhauls to foster growth in underdeveloped service sectors, which could create more jobs and consumer demand than capital-intensive export industries.

The consequence could be that stimulus efforts are a bridge to nowhere. In Germany, car-scrapping subsidies led to a spike in car sales that ended as soon as the incentives ran out. China's state-sponsored investment boom helped its economy to grow by 8.7% in 2009, but analysts fear it's leading to excessive construction and adding to overcapacity in Chinese industry.

Germany's government has reaffirmed its belief in an export-centric economy. That isn't helping weaker European economies, which are struggling to pay down their private and public debts, and would benefit from stronger German demand for imports.

Chinese policy makers at least talk about the need to rebalance their economy toward consumers. That could help its neighbors' exports and sustain the pan-Asian recovery. That in turn could be a new engine of U.S. growth.

ANA sees chance to grow in JAL's bankruptcy
BUSINESS & FINANCE 25

Fear comes back as Obama leaves markets in a VIX
HEARD ON THE STREET 36

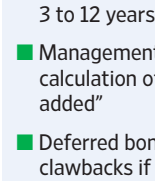
BUSINESS & FINANCE.

Monday, January 25, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Bank pay in Singapore makes sense

[The View from Hong Kong]

By Peter Stein



When it comes to pay, Wall Street could learn a thing or two from Singapore.

Outsize bonuses at big banks and securities firms have never been more controversial. Governments are on the warpath, imposing bonus taxes and new rules to force bank paymasters to change the way they compensate their talent.

Singapore's **Temasek Holdings** Pte. Ltd. could give them a master class on the subject.

Temasek isn't a bank. It is a state-owned investment firm with a portfolio valued at well over $100 billion that holds stakes in some of Singapore's biggest companies. It also invests in companies outside Singapore and in other assets, too, including hedge funds, private-equity funds and real estate.

For years, Temasek has paid its employees with a sensible plan that includes cash bonus payments and deferred incentives. A key part (but not the only part) of the plan links bonus payments to something called "wealth added," a measure of the company's return on its investments in a given year that factors in its risk-adjusted cost of capital.

Basically, calculating wealth added, or WA, tells you whether the company's assets produced more value than the minimum you would expect given their level of risk.

At Temasek, everyone has a

Please turn to page 28

Temasek's incentives

- For senior managers, bulk of performance incentives deferred 3 to 12 years
- Management bonuses tied to calculation of company's "wealth added"
- Deferred bonuses subject to clawbacks if WA turns negative
- Some staff can take part in "T-scope" co-investment plan if WA is positive
- Vesting of T-scope units happens over five years, and subject to performance conditions from third year on

Source: Temasek Holdings PLC

History's lesson on rates

Talk of tightening has hit stocks in the past, but now moves on quantitative easing are key

By Tom Lauricella

At a late-January meeting, Federal Reserve officials signal to the market that interest rates are due to rise soon. The move catches investors off guard. Stock and bond prices plunge, while the U.S. dollar surges.

That isn't a forecast for this week's meeting of the policy-setting Federal Open Market Committee; it is the scenario that played out six years ago this month. Today, no one expects the Fed to veer from its commitment to keep rates low for an "an extended period."

ABREAST OF THE MARKET

But last week's market turmoil, which sent the Dow Jones Industrial Average down more than 5% in three days, is a reminder that the unprecedented stimulus that spurred last year's big rally will start to be pulled back this year. And given how big and global the stimulus was, a simple increase in U.S. interest rates isn't likely to be the spark that sets off the decline. In 2004, it would have been inconceivable that a move by China to tighten lending would cause a big selloff, as it did last week.

The big question for investors is how much of the market's rebound was driven by improving fundamentals and how much by government stimulus. Some believe that healthy earnings prospects will support U.S. stocks as long as any rate increases are moderate and in response to real economic vigor. But last week's China-driven action could be a taste of things to come if liquidity was the primary catalyst.

"It's a window on what we can expect when the U.S. starts draining liquidity," says Barry Knapp, U.S. equity strategist at Barclays Capital. "There are two places in the world where monetary policy was incredibly aggressive: One was the People's Bank of China...and the other was the Fed."

Rate expectations

Many bullish investors argue that the stock market's 2009 rebound can continue largely unabated even if the Federal Reserve raises interest rates. But history suggests otherwise...

1994

The Fed surprised the financial markets with a rate hike in February and went on to tighten aggressively the rest of the year.

2004

In late January the Fed hinted it wouldn't keep interest rates low much longer, sending stocks lower until they raised rates during the summer.

2010

Stocks have rallied in part thanks to easy money, raising questions about what will happen when the Fed tightens.

Source: WSJ Market Data Group

Stock markets sold off last week, while the dollar jumped, and commodity currencies such as the Australian dollar, which are linked to the Chinese economic expansion, softened after big gains last year. U.S. Treasury securities rallied as investors fled to safer investments, but that pattern, which investors have followed since the financial crisis began, isn't likely to be the case when the Fed starts tightening.

Until last week's jolt, investors were growing complacent and measures of volatility were hitting their lowest levels since before the financial crisis intensified nearly 18 months ago.

But the market faces multiple risks. Fears about heavy loads of government debt following the financial crisis are beginning to be realized in Europe. In the U.S., the economic downturn has translated into political risk for the markets; last week, the stocks of many big banks sank on the Obama administration's proposal to limit their business activities. Opposition by some Democrats to a second term for Fed Chairman Ben Bernanke added to the uncertainty.

For a sense of the short-term moves that could follow an initial tightening, Mr. Knapp looks to history.

After the Fed raised interest rates in March 1988, the Standard & Poor's 500-stock index fell 6.7% in two months, and in February 1994, when the Fed shocked investors with the first of what would be an aggressive series of rate increases, the S&P 500 dropped 8.7% in two months. And after the Fed starting tightening in June 1999, the S&P was 7.6% lower three months later.

But there are some crucial differences between today and those episodes that could affect the timing of any market response to Fed moves.

For starters, the Fed isn't expected to begin tightening monetary policy as it has in the past by raising the federal-funds rate. Instead it is likely to start by reversing its so-called quantitative easing, which was largely accomplished by pumping cash into the mortgage-backed securities market, where it bought roughly 70% of new securities last year.

Nick Kalivas, vice president of financial research at MF Global, argues the Fed isn't likely to address raising rates until it can gauge the

Please turn to page 29

Bank of China plans huge capital boost

By Dinny McMahon

BEIJING—**Bank of China** is seeking to raise tens of billions of dollars in new capital, the first major Chinese bank to move aggressively to shore up its balance sheet following a lending binge that has raised concerns about the long-term health of the Chinese banking sector.

Bank of China said in a statement Friday that it plans to seek shareholder approval for a mandate to sell new shares amounting to not more than 20% of its existing Hong Kong and Shanghai-listed shares, which could raise almost $30 billion based on the shares' Friday closing prices. The Beijing-based bank also said it plans to issue up to 40 billion yuan ($6 billion) of bonds convertible into Class A shares, which are traded on China's domestic markets.

China's banking sector made 9.59 trillion yuan in new loans last year as the key element of Beijing's stimulus program. While that allowed the country's full-year gross domestic product to grow by 8.7%, making it the envy of large economies around the world, the unprecedented credit expansion has raised concerns about how many of those loans will turn bad in coming years.

In response, the banking regulator has been pushing banks to increase the amount of capital they hold against their loans, a ratio that has been sliding as banks' lending has grown. With banks expected to issue a further seven to eight trillion yuan in loans this year, banks' capital needs are likely to build.

Analysts say Bank of China was always likely to be the first of China's big four banks to return to the equity market, having ramped

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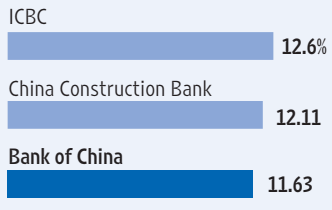
Adequate?

Capital-adequacy ratios for China's biggest banks at the end of September 2009



Source: Banks' financial reports

Macquarie split gets OK

Toll-road company to hive off its top assets as parent shifts focus

By Bill Lindsay

SYDNEY—**Macquarie Infrastructure Group**'s plan to split into two separately listed companies, potentially freeing up the 3.42 billion-Australian-dollar (US$3.08 billion) global toll-road group's most valuable assets for takeover, was approved by investors Friday.

More than 95% of investors voting at a meeting in Sydney supported the independent director-endorsed move, which will see MIG pay investment bank founder **Macquarie Group** Ltd. an estimated A$103.9 million to restructure the group and relinquish control over two roads.

Those roads represent about 75% of the group's value.

The MIG overhaul will follow the October 2009 restructuring of global airport fund **MAp Group** as the latest step by Macquarie Group to distance itself from a listed-funds model and focus instead on global investment banking.

For each MIG security held, investors will receive one security in a new stand-alone entity called Intoll and 0.2 securities in **Macquarie Atlas Roads** Ltd., which will continue to be managed by Macquarie.

The internally managed Intoll will include MIG's two most mature and financially stable toll-road interests, its 30% of Canada's 407 ETR and 25% of Sydney's Westlink M7.

These roads were revalued 4.3% higher Friday by the toll-road group to A$3.8 billion as of Dec. 31, with the stake in the 108-kilometer 407 outside Toronto comprising about 90% of this value.

Mark Johnson, chairman of MIG, told investors at the meeting Friday that Intoll is "more likely to be subject to a control transaction" once the split is finalized.

However, Mr. Johnson said the toll-road group's board members "haven't been approached for a control transaction" while the restructure process has played out over the last three months.

Last month, RBS analyst Luke Macnab said: "The upside for Intoll will come from a re-rating of the assets as the possibility of a takeover, or cornerstone shareholder emerging, begins to be priced in."

"Highway 407 is probably the best toll-road concession in the world and Intoll will provide the purest exposure to it in listed equity markets," he said.

Bloomberg News

MIG Chairman Mark Johnson said Intoll is likely to be taken over after the split.

The toll-road group's stake in the 407 ETR concession is held in a consortium majority-owned by Spanish infrastructure operator **Grupo Ferrovial** S.A. and Canadian engineering and construction company **SNC-Lavalin** Group Inc., which holds nearly 17%.

Mr. Macnab said the rationale for the split was similar to that underpinning MIG's spinoff of its mature Sydney toll roads into a separately listed vehicle, Sydney Roads Group, in July 2006.

After MIG received about A$1.07 billion for SRG, the group was then acquired by rival Australian toll-road operator **Transurban Group** via a December 2006 cash-and-share offer that valued it at A$1.26 billion.

Macquarie Atlas Roads will hold MIG's remaining seven roads, most of which are located in the U.K., the U.S. and France, and which MIG revalued nearly 12% lower Friday, primarily due to the impact of a stronger Australian dollar in the last six months of 2009. These assets, valued by directors at A$1.28 billion, are encumbered with more than A$8.6 billion in debt, and will continue to be managed by Macquarie under a restructured agreement.

This allows for a higher base fee and a more generous performance-fee structure, which the independent directors have said is required to ensure the manager has an incentive to build value in that portfolio of assets.

Swiss ruling clouds UBS pact with U.S.

By Carrick Mollenkamp And Laura Saunders

A Swiss court has thrown into question a settlement that had enabled U.S. prosecutors to crack Swiss bank secrecy.

In a ruling issued Friday in Bern in favor of a U.S. taxpayer, a court panel said **UBS** AG files on private-bank clients shouldn't be turned over to U.S. authorities.

The decision could effectively reverse a plank of a settlement struck last year that called for Swiss bank UBS to ultimately provide the identities of 4,450 accounts tied to Americans. It caused reverberations from Washington to Zurich as U.S. officials, UBS, and tax lawyers scrambled to understand how the ruling might affect the settlement.

"This is a major event," said Florida tax lawyer William M. Sharp Sr., who is representing UBS clients.

A spokesman for the Internal Revenue Service said Friday that the U.S. tax agency believed the Swiss government would continue to honor the agreement.

"The United States and Swiss governments have an agreement to produce information on U.S. account holders at UBS," said Bruce Friedland. He said the agency was studying the decision.

The Swiss government said in a statement that it will "decide next Wednesday in what way the enforcement of Switzerland's and the U.S.'s agreement can be guaranteed."

The settlement was reached in August after a long-running U.S. tax-evasion investigation into how UBS allegedly aided U.S. clients in avoiding U.S. income taxes. The inquiry led to an agreement that called for the identification of the UBS clients.

The investigation also led thousands of U.S. taxpayers, fearful of prosecution, to come forward and own up to having foreign accounts, including at UBS, under an IRS amnesty program. The ruling could embolden people who haven't come forward to remain quiet and hope they avoid detection, several lawyers said.

As part of the settlement, Swiss officials agreed that if a U.S. taxpayer had violated Swiss law, then that opened the door for a person's confidential records to be turned over to the IRS and the Justice Department.

An important indicator of fraud, according to the agreement, was a failure by U.S. taxpayers to file a W-9 form. This form notifies a bank or broker that a customer is a U.S. taxpayer. Foreign firms must obtain the forms from customers who are U.S. taxpayers if the firms want to do business with the U.S.

But in the ruling Friday, the panel said that under Swiss law, the failure to file a W-9 form wasn't considered fraud in Switzerland, as it would be in the U.S.

"The settlement agreement assumed that the failure to file a W-9 was tax fraud under Swiss law, but the court disagreed," said Bryan Skarlatos, a New York tax attorney representing UBS clients.

> In a ruling Friday, a court panel said UBS files on private-bank clients shouldn't be turned over to U.S. authorities.

Under the U.S.-Swiss agreement, the names of the UBS clients first had to be turned over to a Swiss tax administration in Bern, which would review the names before they were turned over to the U.S. But UBS clients also were given the chance to appeal.

One appeal by an unidentified person led to Friday's ruling. The court doesn't publish the name or names of those appealing. Zurich tax lawyer Walter Boss is handling a number of appeals in the tax case in which he argued that it wasn't fraudulent not to file a W-9. It wasn't clear whether the case heard by the court was one Mr. Boss was handling.

"We were convinced that we had a good case," Mr. Boss said.

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Corrections & Amplifications

More than $800 billion in claims have been filed against **Lehman Brothers Holdings** Inc. in the investment bank's Chapter 11 proceedings. A Jan. 18 Markets article about fees paid to professionals working on the case incorrectly gave the amount as $800 million.

Mary Cahill was a mother of two when her novel "Carpool" was published. A Jan.22-24 Weekend Journal article about the reluctance of publishers and studios to accept unsolicited manuscripts incorrectly referred to her as a mother-to-be.

All Nippon Airways poised to grow

Global business is likely to expand amid bankruptcy filing by bigger rival JAL; an opportunity 'to catch up'

By Mariko Sanchanta and Yoshio Takahashi

TOKYO—**All Nippon Airways** Co. sees the bankruptcy filing of **Japan Airlines** Corp. as an opportunity to expand its international business significantly and emerge stronger than its larger rival, a top executive said Friday.

"We need to get stronger when they are sick," Keisuke Okada, an ANA board member and executive vice president of alliances and international affairs, said in an interview. "It's like the penalty box in a hockey game—if you have someone in the penalty box, then that is the opportunity to catch up and get stronger."

"I have been waiting for this for more than 30 years," said Mr. Okada, a 36-year veteran of ANA, referring to JAL's bankruptcy filing. It was ANA's first high-level interview since JAL's bankruptcy filing on Tuesday. Mr. Okada, 58 years old, has spent his entire career at ANA, starting as a mechanic before rising through the ranks.

A JAL spokeswoman declined to comment on his remarks. JAL, Asia's leading carrier by revenue, is saddled with a debt load of $25 billion. Its bankruptcy-protection filing was Japan's largest to date by a nonfinancial company.

ANA has been overshadowed by JAL for decades. In the fiscal year ended March 31, JAL's revenue was about a third bigger—1.9 trillion yen ($21 billion), compared with ANA's 1.4 trillion yen. But over the years, the nimbler ANA's reputation has grown thanks to its extensive route structure—a product of its participation in the Star Alliance airline group—and its impeccable service.

Bloomberg News

ANA plans to broaden its international route structure over the next three years and capitalize on JAL's bankruptcy filing.

JAL's $10 billion lifeline from the Japanese government through capital injections and credit over the next three years has angered ANA, which has said the subsidies could provoke fierce price competition if JAL lowers its prices to fill empty planes. ANA hasn't been receiving government financial assistance, and the carrier raised 141.7 billion yen in July through a share issue.

ANA is set to expand its international route structure over the next three years and said it would take advantage of JAL's scaled-back international network to broaden its own network.

"We are going to capture any opportunity to make our customers happier. If JAL is going to shrink and cut routes, we are happy to pick those up," Mr. Okada said. "We don't want to copy JAL's routes, but carefully study which routes are good for our customers."

ANA and Star Alliance partners United Airlines, a unit of **UAL** Corp., and **Continental Airlines** Inc. already have made an application for antitrust immunity on trans-Pacific routes. If immunity is granted, the move would allow the airlines to plan routes and pricing as one company, increasing efficiency and customer convenience.

JAL's problems "will be a good chance" for ANA, said Mitsuru Miyazaki, an analyst at SMBC Friend Research Center, a Japanese brokerage. "We can expect some customers to move away from JAL to ANA. Also, ANA is likely to get more new slots than JAL at Haneda Airport when it opens a new runway."

JAL, meanwhile, is still undecided as to whether it will stay with its current partner, **AMR** Corp.'s American Airlines, or defect to **Delta Air Lines** Inc. A tie-up with Delta would give the two airlines a market share of at least 50% of flights between the U.S. and Japan.

Fujitsu names head of coming changes

By Daisuke Wakabayashi

TOKYO—Several months after **Fujitsu** Ltd.'s president suddenly stepped down for health reasons, the technology giant reached deep into the organizational chart to appoint Masami Yamamoto as his successor. His task will be to lead the Japanese computer maker's transformation into a technology-services company in the model of International Business Machines Corp.

Fujitsu Chairman Michiyoshi Mazuka has been filling the role of president since September, when Kuniaki Nozoe stepped down.

The 56-year-old Mr. Yamamoto, who has been heading Fujitsu's server business, is to become president on April 1.

Mr. Yamamoto's appointment came as a bit of a surprise, because he is young by Japanese executive standards and he wasn't one of Fujitsu's five top executive officers or one of the two vice presidents who sit on the company's board.

What's more, his background in personal computers and servers seems at odds with the company's shift away from purely manufacturing hardware to focusing more on technology-outsourcing services and system software.

However, Mr. Mazuka, who was part of a three-person search committee for the next president, said Mr. Yamamoto can usher in a generational change at the company with the necessary "courage" to transform Fujitsu at a time of intense change in the technology industry.

"Whether it was computer servers or PCs, he's been at the cutting edge of these generational technology shifts," Mr. Mazuka said.

Since posting a net loss of 112.4 billion yen ($1.25 billion) in the fiscal year ended March 31, Fujitsu has moved away from unprofitable businesses. The company sold its hard-disk-drive business to **Toshiba** Corp., and it now relies on contract manufacturer Taiwan Semiconductor Manufacturing Co. to produce the chips it designs.

Mr. Yamamoto, currently a senior vice president, didn't offer many details about what he plans to do except to say he wants to make Fujitsu, a leading player in Japan's technology-services industry, into a "truly global" IT company.

He added that Fujitsu's chip business, a target of speculation about a possible spinoff, remains an important part of the company's portfolio and a way to differentiate its computer servers from those of competitors.

At a news conference announcing the appointment, reporters asked about Mr. Yamamoto's relatively young age, his lack of top executive experience and whether he would have trouble dealing with "senpai," or company elders.

Mr. Yamamoto said that his elders aren't bothersome, and he will welcome their input. He will observe board meetings until his nomination for a seat at Fujitsu's shareholder meeting in June.

"I don't think age matters," Mr. Yamamoto said.

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CORPORATE NEWS

Reliance earnings gain 16%

Increased gas production, doubling of export revenue drives growth at Indian refiner

By Eric Yep

MUMBAI—**Reliance Industries** Ltd.'s profit for its fiscal third quarter rose 16%, thanks to higher production at its natural-gas field on India's east coast and a near doubling of export revenue.

Earnings for the three months ended Dec. 31 climbed to 40.08 billion rupees ($866.9 million) from 34.62 billion rupees a year earlier, India's biggest private refiner by output said.

The average estimate of 12 analysts polled by Dow Jones Newswires was for profit of 39.70 billion rupees.

Reliance Industries is India's largest by market value.

Sales surged 80% to 568.56 billion rupees.

Reliance's gross margin from refining a barrel of crude was $5.90 a barrel in the third quarter, compared with $10 a barrel a year earlier.

Gross refining margin was $6.20 for the first three quarters.

Gross refining margin is the difference in the price of the refined product and the cost of buying the crude.

Reliance said it nearly doubled revenue from exports in the third quarter to 351.48 billion rupees.

The company, controlled by billionaire Mukesh Ambani, more than doubled revenue from its key refining business to 480 billion rupees, but the margin for earnings before interest and tax from the segment declined to 2.9% from 9.5% a year earlier.

Agence France-Presse/Getty Images

Revenue from the petrochemicals business rose 17% to 147.6 billion rupees, and EBIT margins grew to 13.9% from 13.1%.

Revenue from the oil-and-gas exploration and production jumped more than threefold to 35.3 billion rupees while EBIT margins were 41.8%.

Reliance Industries operates a 660,000 barrel-a-day refinery in Jamnagar in the western state of Gujarat.

It began operations last December at a second refinery in the same complex that can process 580,000 barrels a day.

The 660,000 barrel-a-day refinery operated at full capacity during the quarter, while the 580,000-barrel refinery operated at 115% of capacity.

The company said it has increased production at the D6 gas block in the Krishna-Godavari basin, off India's east coast, to 60 million metric standard cubic meters a day.

"Reliance is well poised to benefit from the improving global economic environment and domestic market opportunities," said Mr. Ambani, who is the company's managing director.

Rusal prices offering at premium

By Amy Or

HONG KONG—Russian aluminum giant **UC Rusal** Ltd. has raised US$2.24 billion by pricing its Hong Kong and Paris dual initial public offerings at a premium to its peers, people familiar with the situation said early Friday.

Rusal sold 1.61 billion shares, or 11% of its enlarged share capital, at the midpoint of an indicative price range of HK$10.80 (US$1.39) each, they said. The company earlier set a HK$9.10-HK$12.50 range for the share sale.

"Rusal could price anywhere in the range, but it wants to ensure high-quality distribution by many investors and a good after-market performance," one person said.

After the IPO, the stake of Rusal's majority shareholder, Russian billionaire Oleg Deripaska, will fall to 47.59% from 53.35%.

Rusal's offer price translates to a forward enterprise value/Ebitda ratio of 11.7 times—a premium over its Hong Kong-listed peer, Aluminum Corp. of China Ltd., which trades at a 10.2 times multiple, and Alcoa Inc.'s 7.6 times multiple.

Rusal's IPO, while initially undermined by Hong Kong securities regulator's ban of a retail offering, has garnered strong support from 300 institutional investors, including insurer **AXA** SA and **Cheung Kong (Holdings)** Ltd.

BP dispute in Russia eases

By Gregory L. White

MOSCOW—Less than two years ago, **BP** PLC's Russian venture was racked by bitter conflict between the British giant and its local partners. But Friday, BP and its Russian co-shareholders held their first joint media briefing to pronounce their tensions gone and **TNK-BP** Ltd.'s prospects bright.

"Everything feels pretty good," BP CEO Tony Hayward told a small group of reporters, turning to smile at Mikhail Fridman, chairman of **Alfa Group**, the largest member of AAR, the consortium of Soviet-born billionaires that owns TNK-BP 50-50 with BP.

"This year was one of the most successful years for TNK-BP," Mr. Fridman said, hailing the "spirit of cooperation and mutual understanding" at the company.

Within Russia, too, the climate seems to be warming to private and foreign investors, after years of Kremlin preference for big state companies had squeezed rivals' access to major new projects.

"I would anticipate more flexibility from the authorities in providing a privately owned company access to oil and gas reserves," Mr. Fridman said.

Heavily indebted, Russia's state oil and gas companies have been hit hard by falling prices and the global economic crisis. Overall, gas output plunged last year, dropping Russia to the No. 2 spot in the global rankings behind the U.S. for the first time in years, while oil production rose modestly after years of stagnation. Government officials now court foreign companies, which had for years been pressured.

Thanks to its unusual Russo-British ownership, TNK-BP, the country's third-largest crude producer, stood out in Russia's largely locally controlled oil business since it was founded in 2003.

> Within Russia, the climate seems to be warming to private and foreign investors.

In the summer of 2008, tensions within the company burst into the open, leading the BP-backed CEO to flee Russia. The Russian shareholders accused BP of thwarting TNK-BP's ambitions to expand internationally and relying too heavily on expatriate staff, including the U.S.-born CEO. BP charged its partners with using the Russian government to apply pressure. Ultimately, the two sides agreed to a truce, with a new board and CEO to run TNK-BP.

The search for a CEO dragged out, and Mr. Fridman stepped in as acting chief. The partners agreed on a permanent replacement, Maxim Barsky, late last year, but he will assume the CEO post only in 2011, after training.

Friday, Messrs. Hayward and Fridman said they expect two top Russian shareholders—German Khan and Viktor Vekselberg—to give up their management roles in the company at some point after Mr. Barsky becomes CEO.

Though the settlement deal between BP and AAR envisioned an initial public offering for TNK-BP, Messrs. Fridman and Hayward said there is no rush and any such deal would be at least two years away. Both men agreed that the parity between their shareholdings would remain for the foreseeable future.

They said that TNK-BP, if it needed additional investment capital, would consider reducing the minimum 40% share of profits it now pays as dividends.

For 2010, the company plans to invest $4 billion, up from $3 billion last year.

Any international expansion will be focused where TNK-BP has a technological advantage, such as in Iraq, or a geopolitical one from its Russian heritage, such as Venezuela, he said.

Natural gas isn't a short-term priority for the company, given the changes in that market in the last year or so, Mr. Hayward said. Discussions on selling TNK-BP's stake in the Siberian Kovykta project to OAO **Gazprom** —initially agreed in 2007—are stalled as TNK-BP awaits word from the Russian government on its plans, Mr. Fridman said.

Bharti Airtel profit rises despite competition

By R. Jai Krishna and Romit Guha

MUMBAI—**Bharti Airtel** Ltd.'s profit rose 2.4% for its fiscal third quarter as gains from favorable currency-exchange rates helped mask the impact of competition in the Indian telecommunications sector.

A price war severely dented key measures at India's largest telecom by subscribers, however.

Several new providers have entered India's telecom industry in the past year with inexpensive rates, forcing established companies such as Bharti also to cut rates. Rival **Idea Cellular** Ltd. on Thursday posted a 23% decline in third-quarter profit, hurt by competition.

The "hypercompetition" will continue for a couple of quarters more, Bharti Chief Executive and Joint Managing Director Manoj Kohli told reporters Friday.

Bharti on Friday said profit rose to 22.1 billion rupees ($478 million) for the quarter through December, compared with 21.59 billion rupees a year earlier.

The rupee's appreciation against the dollar accounted for 1.49 billion rupees of the profit. A year earlier, foreign-exchange rates weighed on earnings by 2.09 billion rupees.

Revenue rose 1.4% to 97.72 billion rupees, helped by the addition of 8.4 million users to end the quarter with 119 million subscribers in India.

"We need to check whether the one-time charge for customers to shift from one scheme to another is all included in the quarter, or spread over the life of the phone connection," said Shubham Majumder, who runs Asia telecom research at Macquarie Equity Research. "If all the one-time [fees] have been included here, this is a bad result."

Bharti, 32% of which is owned by **Singapore Telecommunications** Ltd., competes with Reliance Communications Ltd., the local unit of U.K.'s **Vodafone Group** PLC; state-run **Bharat Sanchar Nigam** Ltd.; and Idea Cellular, among others, for a share of the Indian market that had about 506 million subscribers at the end of November.

But new entrants, such as Japan's **NTT DoCoMo** Inc. and Norway's **Telenor** ASA with their local partners were responsible for pulling down rates to as low as 0.30 rupee a minute under some plans.

Bharti's average revenue per user fell to 230 rupees from 324 rupees as the company cut rates and launched new plans, such as per-second billing. Average minutes of usage per user fell to 446 from 505.

Profit margin before interest, taxes, depreciation and amortization fell to 40.0% from 41%.

Mr. Kohli said Bharti hopes to expand further in emerging markets, after its recent acquisition of a controlling stake in Bangladesh's **Warid Telecom International** Ltd.

—Deepali Gupta contributed to this article.

CORPORATE NEWS

GE earnings decline, but hope rises

Revenue declines 10%; U.S. company says worst has passed as equipment orders show improvement

By Paul Glader And Bob Sechler

General Electric Co. asked its battered investors to hang on another year, saying that it could return to growth and potentially boost its dividend by 2011 as the conglomerate recovers from a recession that hollowed out profits and shook confidence in the company.

The comments came as GE Friday posted a 19% slump in fourth-quarter profit, weighed down by poor results at its entertainment and finance units. GE is redeploying resources to cover losses at GE Capital and is shrinking the unit. It has agreed to sell a controlling stake in NBC Universal to Comcast Corp., and offloaded a security business to focus on more-lucrative industrial operations.

Those industrial businesses—which involve sales and service of equipment like airplane engines, power turbines and high-end medical devices—also did worse than they did in the last quarter of 2008. But GE Chief Executive Jeff Immelt said orders for big-ticket equipment improved from the third quarter and should rise in 2010, as he tried to convince investors that the company has put the worst behind it.

"Last year at this time, there was a big pit in front of GE," said Pete Klein, a Cleveland-based portfolio manager at GE shareholder Fifth Third Asset Management Inc. "Now, that pit has a little bit of a bridge over it. There is a fundamental stabilization going on in most of their businesses."

GE, of Fairfield, Conn., posted earnings of $3.01 billion, or 28 cents a share, down from $3.72 billion, or 35 cents a share, a year earlier. Revenue fell 10% to $41.44 billion.

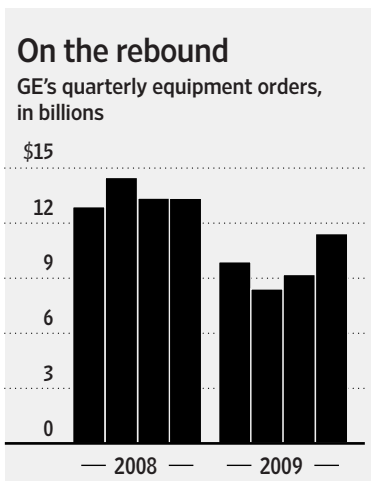
The credit crisis, recession and an ill-timed commercial real estate shopping spree have been tough on GE. The company's stock fell below $6 in March, and its 2009 profit was just half what the company earned two years earlier. Friday, with the stock rising nine cents to $16.11, executives indicated the company is getting a handle on losses within GE Capital.

"Our delinquencies have stabilized," Mr. Immelt said. "The world we are looking at has improved."

Earnings at GE Capital fell 67% to $336 million amid losses and delinquencies in its consumer, business loan and commercial real estate units. Loss and delinquency rates continued leveling off in consumer finance and equipment leasing, but commercial real estate remains a problem, with losses widening to $593 million in the quarter from $60 million a year earlier and expected to worsen this year.

GE Capital still has $649.4 billion of assets, down 2% from a year ago, and it boosted its reserves against losses by $700 million in the quarter, to $8.1 billion. GE is again renaming the unit, which it will now call GE Capital Finance.

Profit at GE's NBC Universal entertainment unit fell 30%, pulled down by a drop in DVD sales at Universal pictures. This week, NBC agreed to pay "The Tonight Show" host Conan O'Brien $45 million to leave the network and give the show back to Jay Leno, undoing a disastrous programming experiment that had roiled its relationship with affiliates.



Right: Orders for scanners and other health-care equipment were a bright spot in the most recent quarter for GE.

Bloomberg News

McDonald's profit climbs as sales rise

By Paul Ziobro

McDonald's Corp.'s fourth-quarter earnings rose 23% as the restaurant giant increased sales across all regions despite a global downturn.

The Oak Brook, Ill., restaurant chain reported strong results for December, with even U.S. same-store sales up 1% after two months of year-over-year declines, and said trends continued to improve in January as customers responded favorably to the chain's mix of value and premium items.

However, McDonald's executives tempered budding signs of improvement with caution regarding the gloomy environment for employment. Chief Executive Jim Skinner said that until job creation picks up, "we're not going to see enormous pickups or a big change relative to trends in consumer spending."

The world's largest restaurant chain is taking the downturn as an opportunity to widen its lead in the fast-food market, which it sees as shrinking. It is attracting customers with low-cost items, including a new breakfast Dollar Menu that it is making permanent, and new snack foods, such as Mac Snack Wrap—a version of a Big Mac sandwich in a tortilla—priced at about $1.49.

Unlike some other chains that have slashed prices on existing items, McDonald's hasn't let low-priced foods eat into margins as much as other fast-food chains.

It is complementing the low-priced items with premium-priced products, including the McCafe line of beverages and Angus burgers, which have kept its average check from declining. McDonald's said it is losing the ability to raise prices annually, as chains have typically done to keep pace with inflation. McDonald's said that avoiding price increases helped increase customer visits in 2009.

"Traffic-driving initiatives aren't coming at the expense of margins," said Goldman Sachs restaurant analyst Steven Kron.

McDonald's reported a quarterly profit of $1.22 billion, or $1.11 a share, up from $985.3 million, or 87 cents, a year earlier.

Fourth-quarter revenue rose 7.3% to $5.97 billion.

Sales at restaurants open at least 13 months, a key measure of retail health, climbed 2.3%.

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Key Issues To Be Discussed

Limited Partners Forum
Outlining institutional investors' criteria before entering the Southeast Asia private equity market

Country specific analysis
Evaluating private equity investment opportunities and challenges in Southeast Asia countries which include Indonesia, Malaysia, Vietnam and Cambodia

Private equity investing strategies
Forecasting growth capital, leveraged buyout, M&A and distressing investing opportunities in Southeast Asia

Funding strategies
Assessing financing and re-financing options in a credit-constrained environment

www.private-equityseasia.com

Official Business Newspaper: THE WALL STREET JOURNAL

Denway's parent to list shares

Hong Kong offering would allow shareholders to trade for Guangzhou Automotive stocks

By Yvonne Lee And Lorraine Luk

HONG KONG—Chinese car maker **Denway Motors** Ltd. said its parent, **Guangzhou Automotive Group** Co., has submitted an application to list on the Hong Kong Stock Exchange and plans to take Denway private through a share swap after the listing.

Denway Motors shares jumped 7.6% Friday to HK$4.97, off an intraday high of HK$5.24, after Guangzhou Automotive Group said it plans to list by way of introduction. The benchmark Hang Seng Index fell 0.7%, on concerns over capital outflows and expectations of more tightening economic policies from Beijing.

Analysts said Denway will likely continue to rise in the near term, as the restructuring of its parent's assets and the possible deal will improve the auto maker's prospects.

As part of Guangzhou Automotive's listing plan, existing Denway shares will be exchanged for Guangzhou Automotive shares that are set to be listed on the Hong Kong Stock Exchange, Denway said in a statement. Guangzhou Automotive owns a 37.9% stake in Denway, the statement said.

Listing by way of introduction allows stakeholders to trade their stocks, but the company doesn't raise capital via an initial public offering.

Deutsche Bank analyst Vincent Ha said the lack of details makes it impossible to gauge whether Denway shares would be exchanged for Guangzhou Automotive shares at a premium to their current trading price.

Bloomberg News

Guangzhou Automotive has a joint venture with Honda Motor Co. Here, a showroom in Shenzhen.

"Assuming a successful exchange for Guangzhou Automotive shares, Denway's investors would have their investments switched to a more diversified auto manufacturer, and arguably a highly competitive one in China's mid- to high-end passenger-vehicle market with the production rights for the Honda Accord and Toyota Camry," Mr. Ha said.

Rebecca Tang, an analyst at CIMB-GK Securities, said she is positive about the deal as she is optimistic about Denway's future sales because Guangzhou Automotive has strong partnerships with global automobile makers.

"We think auto demand in China will remain strong over the next two years given rising affordability," Ms. Tang said.

Guangzhou Automotive is China's sixth-largest auto conglomerate in terms of sales volume. Its major joint-venture partners include Toyota Motor Corp., Honda Motor Co. and Fiat SpA.

In 2008, Guangzhou Automotive had sales of 97.6 billion yuan (US$14.3 billion) and had assets totaling 44.4 billion yuan, data from the China Automotive Industry showed.

Guangzhou Automotive's sales in 2007 was 108.8 billion yuan, according to its Web site.

Bank of China to sell billions in stock, bonds

Continued from page 23

up its lending particularly aggressively in the first half of the year. During that period its new loans increased 38% from the end of the previous year, much faster than the 20% growth posted by **Industrial & Commercial Bank of China** Ltd and **China Construction Bank** Corp. It managed a slight gain in its share of China's domestic loan market over the period, according to the bank's half-yearly financial report, although that came at the expense of its capital position.

Its capital-adequacy ratio was 11.63% at the end of September, close to the minimum 11% Beijing requires of large banks, and less than ICBC and CCB, which were both above 12%. Analysts say those banks may not have to sell new equity unless the regulator further raises the capital requirements.

Bank of China last week ordered its credit officials to halt any new yuan loans due to excessively fast lending growth so far in January, a person familiar with the situation told Dow Jones Newswires Wednesday.

In a statement posted on its Web site Friday, Bank of China said the plan to raise capital has been approved by the board but requires approval from shareholders, who are expected to meet in March to vote on the plan.

"To achieve a long-term development strategy and meet the increasingly strict regulatory requirement...Bank of China needs to replenish its capital in a timely manner to improve its overall competitiveness, support a steady profit growth and maximize shareholders' interests," the bank said in a separate statement posted on its Web site.

> The bank is expected to be the first to raise additional capital after the lending binge.

While Bank of China's two major rivals may steer clear of the equity market this year, analysts predict 2010 could be the biggest year for new fund raising from China's banks since Bank of China and ICBC raised tens of billion of dollars in 2006.

Agricultural Bank of China Ltd, the only one of the big four banks not publicly traded, is awaiting approval for an initial public offering this year.

It will likely be joined by an expected IPO from **Everbright Bank**, and, potentially, secondary offerings from China's second-tier banks, which also lent aggressively.

—J.R. Wu, Jeffrey Ng and Victoria Ruan contributed to this article.

Lessons from Singapore on how to handle bank bonuses

Continued from page 23

WA bonus bank. When WA goes up, more money goes into the bank, which then funds deferred bonuses that take at least three years, and as long as 12, to vest.

Here is the important part: When Temasek loses money, you get what it somewhat confusingly calls "negative wealth added," and money comes out of the bonus bank. So a lousy year at the company cuts into an employee's ability to enjoy previously awarded bonuses. This also is known as a clawback.

Last September, Temasek announced it had a lousy year. In the year ended March 31, 2009, the value of its investment portfolio fell 30%, and its profit fell 67%. Its wealth added was a negative 68.1 billion Singapore dollars, or about $48.5 billion, meaning everybody's WA bonus bank took a big hit.

A system like this has its drawbacks: Deferred rewards can be uncertain, and Temasek could have trouble attracting the best talent.

But Temasek's system keeps employees fixed on the right goals. In its annual report, Temasek says the pay plan is underpinned by the principle of sharing gains and pains "alongside our shareholder," the Singapore government.

"What Temasek is doing is pretty impressive," says Julia Gorham, a lawyer who advises companies on compensation issues at Allen & Overy in Hong Kong. She said it is nearly consistent with standards for banking compensation recommended by the Financial Stability Board and adopted by the Group of 20 nations last year.

Governments now are pushing these standards for compensation on banks in Europe and the U.S., and a number of them have begun deferring more pay and implementing clawback provisions. **Morgan Stanley**, **Credit Suisse Group** and **UBS** AG have such systems, as does **Goldman Sachs Group** Inc., although it applies to only the top 30 staff at the firm.

Soon, banks around the world may get to the point where this is the standard pay plan. Temasek can say it got there first.

Three offerings pose a test for the market

By Lynn Cowan

IPO OUTLOOK

The big question for IPO investors this week won't be which deals to invest in, but how many actually make it out the door.

The best bet for a good debut is **IFM Investments** Ltd., the largest network of real-estate brokerages in China and the exclusive franchiser of the Century 21 brand in that country. But it could face some investor jitters given that the Chinese government has been taking steps to curb bank loans after a burst of lending last year.

With more than 1,000 sales offices in China, IFM Investments focuses on sales of existing homes, rather than newly built properties. It is a nascent but fast-growing niche for China.

The firm's presence in the niche has fueled revenue growth: Total net revenue doubled in the first nine months of 2009 compared to the same period of 2008. The company became profitable compared with the same period in 2008 after years of losses, but IFM warns that it can't guarantee full-year profit.

IFM Investments plans to raise as much as $179 million by listing on the New York Stock Exchange under the trading symbol CTC, but it is launching just as China is adjusting policies to slow the pace of lending.

One of the major risks cited in IFM's prospectus is the possibility of the government moving to slow the economy or real-estate-market growth, which "could materially and adversely affect" its business." The company wasn't available to comment Friday.

"There's a tension for this company between the tightening that Chinese authorities are doing versus the continued growth in an immature market sector," says Tim Walker, special-projects editor at Hoover's. "My gut feeling is that they could have a successful IPO anyway, because their financials are going in the right direction."

Aside from IFM, there are two other companies that plan to test investors' IPO appetites on the NYSE this week: **FriendFinder Networks** Inc. and **Daqo New Energy** Corp.

FriendFinder is aiming to raise as much as $240 million through a listing under FFN, and Daqo hopes to raise up to $94 million by listing under the symbol DQ.

Neither company is likely to have an easy time pricing.

FriendFinder needs to raise the money in its IPO for its creditors, which have waived loan-default terms in exchange for the deal's net proceeds. Its revenue for the first three quarters of 2009 was flat compared with the same period of 2008, and it has a history of net losses.

The company, formerly known as Penthouse Media Group, operates a variety of dating Web sites.

Daqo makes polysilicon used by solar-cell makers. While the company is profitable and serves the Chinese market, where demand for its product is high, supply exceeds demand world-wide and that has depressed prices.

The company, which began manufacturing in July 2008, is attempting an IPO just two months after **Trony Solar Holdings** Co. was forced to postpone its deal.

Greece impacts Portugal

Investors look for signs of similar woes in 2010 budget plan

By Jeffrey T. Lewis, Alkman Granitas And Emese Bartha

Greece's debt problems have boosted interest in Portugal's 2010 budget plan, coming Tuesday, which international investors will study for signs of similar fiscal frailty.

Portuguese stocks and bonds have sold off because of Portugal's high long-term deficits and low growth prospects. The government of Socialist Prime Minister José Sócrates faces a deficit that is estimated to have reached 8% of gross domestic product last year and the European Commission has given Portugal until 2013 to bring the deficit below the 3%-of-GDP threshold required by European Union rules.

Late last year, Greece's recognition that its budget deficit was much larger than previously thought triggered a sharp rise in financing costs for that country, as well as other euro-zone states with weakened public finances such as Portugal, Ireland and Spain.

Portugal "has seen what happened in Greece, so that might encourage more austerity measures in the [budget] plan," said Sean Maloney, a fixed-income strategist at Nomura in London. "But any flippancy, if you like, in the policies to bring about a better number than in 2009 will be treated with a fair amount of suspicion by the markets. The market isn't just looking for promises in terms of their goals, they're also looking for some nuts and bolts."

International credit-ratings companies are similarly skeptical. Last month, Moody's Investors Service and Standard & Poor's Corp. both warned of possible downgrades on Portuguese debt. Moody's then lumped Portugal in with Greece, saying both countries' economies risked a "slow death" as their debt payments rise.

Portugal has had one of the slowest-growing economies in the EU for years. Since 2001, its economy's performance has lagged behind the average growth in the 16 countries now sharing the euro in every year except for 2001 and 2009. The economy's fastest growth during that period was 2%, in 2001, and it has grown by more than 1% only four of the years in that period, while shrinking in two of them.

When Mr. Sócrates was first elected prime minister at the beginning of 2005, he inherited a budget plan that would have left the country with a deficit equal to 6.8% of GDP.

His government then passed a revised budget that brought the figure in at 6.1% for the year. Tax increases, spending cuts and overhauls of the social-security and health-care systems lowered the deficit to 2.6% of GDP in 2007 and 2.7% in 2008.

The spending plan for this year should shave one or two percentage points off the deficit, helped partly by a budding recovery of Portugal's economy and partly by measures taken a few years ago to slash an earlier outsized deficit, economists said.

"They did it in the past, and given the pressure they're under, and the developments in Greece, I'm sure they'll be able to do it again," said Rui Constantino, chief economist at Santander Totta in Lisbon.

Meanwhile, Greece said Friday that it plans to syndicate a five-year benchmark bond next week to finance its giant budget deficit, even as yields on Greek debt hit a new high.

The bond, seen as a key test of Greece's ability to attract investors amid jitters over the government's ability to finance its deficit, will raise between €3 billion and €5 billion, or $4 billion to $7 billion, the head of the country's debt agency said.

Greece's finances have been under close scrutiny by the EU, financial markets and credit raters since it disclosed late last year that its budget deficit would hit 12.7% of GDP, well above the EU's 3% limit.

After news of the bond issue, the spread between 10-year Greek bonds and their German equivalent widened sharply to a record of 3.18 percentage points, reflecting an increase the perceived risk of Greek debt among investors. The spread between 10-year Portuguese bonds and their German equivalent stood at 1.081 percentage points.

Covering sovereign debt

Annual cost to insure government debt for five years, expressed in percentage points of cost over the yield of the underlying bond.

Source: Thomson Reuters

Wall Street pay change: a threat to stockholders

By Susanne Craig

The move by big banks and securities firms to dole out more stock and less cash to employees could help counter political anger about Wall Street's pay culture. But shareholders likely will pay for it for years.

Bank of America Corp., **Citigroup** Inc., **Goldman Sachs Group** Inc., **J.P. Morgan Chase** & Co. and **Morgan Stanley** said as part of their fourth-quarter earnings announcements that 2009 pay will include a greater percentage of stock than in previous years.

Such stock typically is in the form of restricted shares that can't be sold for a certain period. The goal is to tether employees more tightly to their company's share price and bottom line, reducing any temptation to make bets that could blow up later. Some shareholders also view strong employee ownership as a positive sign.

The downside: Some analysts estimate that the move to more stock could increase the number of shares outstanding at such companies by as much as 4%. All those new shares would dilute per-share earnings.

"There are certainly upsides to having employees own stock. However, eventually shareholders will have to pay for this, and the cost may be higher down the road," said UBS analyst Glenn Schorr.

Another problem is that regulators are discouraging financial firms from buying back shares while the U.S. government decides on expected new capital requirements. That means banks and securities firms probably can't offset the dilution from employee share issuance by repurchasing shares in the open market, as they usually do.

Wall Street firms rarely disclose how many shares are granted to employees in a given year. In 2008, though, Goldman paid out $4.8 billion in bonuses, according to a report last year by New York Attorney General Andrew Cuomo. But if the firm paid out 20% of the total in stock and then increased the percentage to 40%, Goldman's total outstanding shares would increase by about 1.2%, or six million shares, based on the current stock price.

Goldman said Thursday that it set aside $16.19 billion for compensation in 2009. The New York company previously said its senior executives would receive no cash bonuses for 2009 and would be paid in shares that can't be touched for five years.

Rank-and-file employees also will see more stock and less cash in bonuses, and the firm is raising base salaries of some employees. That move is aimed at getting more cash into the hands of employees who will be paid more in stock, helping to offset the overall switch to more stock.

A strong employee-ownership culture doesn't guarantee a firm's success. For years, Lehman Brothers Holdings Inc. was Wall Street's biggest user of restricted stock. Former Lehman Chief Executive Richard Fuld Jr. believed employees should behave like owners, so all employees were given some portion of their pay in stock. Employees owned about 30% of Lehman when it collapsed in 2008.

Employee ownership at Goldman is about 15%, according to people familiar with the matter. Morgan Stanley wouldn't disclose the stake held by employees.

History's lesson on interest rates

Continued from page 23

success of its exit strategy from the mortgage market. As a result, investors should take their cues from that, rather than waiting for a language change, he says.

The reason is that the end of the mortgage-buying program, slated for March 31, holds the potential to lead to higher mortgage rates.

"People are going to be watching how deep that move is and how it moves across the markets," Mr. Kalivas says. A meaningful rise in yields on mortgage debt could hurt consumers and put a dent in the commercial-real-estate and corporate-bond markets. Ultimately, it could feed through to the stock market by hurting bank and insurance-company profits.

But if that exit goes smoothly, and the Fed then indicates it will raise rates moderately, Mr. Kalivas believes that wouldn't create much more than a speed bump for the stock market. "The Fed raising rates by 25 or 50 basis points [a quarter or half a percentage point] is not a big deal," Mr. Kalivas says. "In some sense, it might lead people to see the economy as solid" and thus a good environment for stocks.

Another variable that would affect the timing of any Fed tightening is that the U.S. central bank now tries to communicate its policy intentions well before it moves.

That led to the January 2004 episode where the market responded to the FOMC dropping wording that it planned to keep rates low "for a considerable" time.

The Fed didn't actually raise rates until late June. By the end of July 2004, stocks were down more than 8% from where they were in January, but from there, stocks headed higher.

Mr. Knapp expects a similar situation this time, where broad market indexes decline and more defensive stocks outperform as the Fed signals its intentions to start raising rates.

"Because monetary policy has been so aggressive and complex, it could cause a greater reaction than in the past," he says. Short-term U.S. Treasurys could have a sharp decline in price and stocks could lose more than 10%, he says. But by the time any rate increases begin, the markets will have adjusted to the new outlook.

Michael O'Rourke, stock-market strategist at broker dealer BTIG, is among those who aren't concerned about the Fed's eventual shift toward tighter policy. "You might see a hiccup in the market, but I don't think it will trigger a major correction," he says. In an environment where corporations have aggressively cut costs, "if the economy improves, the earnings potential should outweigh the effect of a modest tightening in interest rates," Mr. O'Rourke says.

The key variable, he says, is whether the Fed is seen as moving in a way that allows the economy to grow at a reasonable pace. "The situation I would be concerned about...is if the FOMC moves earlier than expected or too early, in essence make a move that appears to be a policy mistake," Mr. O'Rourke says. "That would spark a corrective move" lower in stock prices.

Morgan Stanley's CEO : no bonus, but $9 million

By Joe Bel Bruno And Jessica Papini

Morgan Stanley Chief Executive James P. Gorman got no cash bonus for 2009 but could still walk away with stock-based compensation worth nearly $9 million, according to securities filings.

The Wall Street firm described in the filings how much deferred and performance-based stock its top executives will receive for 2009, a year that marked Morgan Stanley's recovery from the financial crisis. Like other Wall Street firms, Morgan Stanley is shifting more of its overall compensation into in stock that vests over specified periods, rather than big cash bonuses.

James P. Gorman

Mr. Gorman, who became chief executive on Jan. 1, was granted an estimated 97,295 shares, according to a filing with the U.S. Securities and Exchange Commission on Friday. Based on Friday's closing price of $27.80, those "at-risk performance stock units" are worth about $2.7 million.

Their value could double to $5.4 million if Mr. Gorman meets all his performance goals over a three-year period. But the units would be worthless if Morgan Stanley falls far short of a peer group in shareholder return, fails to hit company targets for return on equity, or if the CEO leaves before 2013.

In addition, Mr. Gorman will be awarded 194,590 shares of restricted stock worth about $5.4 million, based on Friday's stock price. Those shares will vest over the next three years.

Morgan Stanley also confirmed that Mr. Gorman got an $800,000 annual salary for 2009. John J. Mack, Mr. Gorman's predecessor as CEO, also got no cash bonus for 2009.

The company said Friday that Mr. Gorman is eligible for additional cash compensation that could be seized by the firm if Morgan Stanley "realizes losses on certain trading positions, investments or holdings." The amount of that compensation will be disclosed in Morgan Stanley's proxy filing.

The company said its year-end compensation for employees was "fundamentally restructured" in response to "shareholder input and in light of the environment in which" the securities firm "is operating." Executives on Morgan Stanley's operating committee got about 75% of their year-end pay in the form of deferred compensation.

MARKETS

Japanese bonds rally amid a flight to safety

By Andrew Monahan

TOKYO—Japanese government bonds rallied Friday as investors turned to safe-haven assets when regional share markets wilted after President Barack Obama's proposal to curb risk taking at banks.

Also encouraging investors to seek refuge in government debt was the dollar's move below 90 yen, which highlighted the continued threat that yen strength poses to Japan's export-driven economy.

BOND MARKETS

Government bonds could rally further next week as concern lingers over the potential for monetary tightening in China and fiscal woes in Greece, encouraging market participants to channel more funds out of risk assets, analysts said.

"The market next week will keep this strong focus on overseas factors," said Chotaro Morita, head of Japan fixed-income strategy research at Barclays Capital.

Mr. Obama's support, announced Thursday, for limits to banks' proprietary trading will be of particular interest. If the proposed restrictions continue to weigh heavily on U.S. stocks, that could drag Japan's benchmark Nikkei Stock Average of 225 company down further, analysts say. Though the Nikkei has outperformed most overseas indexes this year, its ability to continue withstanding downward pressure from overseas was called into question Friday, when it fell 2.6%.

Further declines this week could help push bonds higher, Mr. Morita said. The benchmark 10-year yield could fall below 1.3%, he said. It was down slightly at 1.320% on Friday.

While participants remain wary of any further government debt issuance later in the year, in the coming weeks demand from Japanese banks flush with cash should support the market, analysts said.

The banks' large cash reserves have come as demand for loans dropped to the lowest level in nearly six years in the quarter that ended in December, Bank of Japan data showed Thursday. Lingering uncertainty over the country's fragile economic recovery may keep loan demand low in the coming months, indirectly benefiting government bonds, analysts said.

In the short-end of the curve, the two-year yield was flat at 0.155%, while the five-year yield fell 0.055 point to 0.505%.

While analysts expect more near-term declines in yields, they said upward pressure could return around the start of the next fiscal year in April, when the focus returns to the possibility of more fiscal spending and issuance increases.

A fund-raising scandal involving the ruling Democratic Party of Japan's Secretary-General Ichiro Ozawa may be key in this regard, analysts said. The government may try to stop any further deterioration in public opinion with more spending, which could necessitate more debt sales.

U.S. banking proposal hurts Asian markets

By V. Phani Kumar And Colin Ng

Asian markets tumbled Friday as concerns over proposed U.S. banking curbs and the prospect of China rolling out more measures to cool its economy triggered broad losses, with financials and metal shares hit especially hard.

"On top of worries over China's tightening, the newly proposed regulations on U.S. banks will likely weigh on sentiment for a while," said Kwak Joong-bo at Hana Daetoo Securities.

ASIAN-PACIFIC STOCKS

Japan's Nikkei 225 fell 2.6%, Australia's S&P/ASX 200 lost 1.6%, China's Shanghai Composite dropped 1%, South Korea's Kospi gave up 2.2%, Hong Kong's Hang Seng Index shed 0.7% and Taiwan's main index shrank 2.5%. India's Sensex declined 1.1% and Singapore's Straits Times lost 1.1%.

The selloff came after U.S. President Barack Obama's proposal Thursday to limit banks' risk-taking pushed the Dow Jones Industrial Average down 2%, or 213.27 points, for its biggest fall since Oct. 30; the Dow extended its losses Friday. The president said he wants financial-sector legislation to include measures to stop banks engaging in proprietary trading and investing in hedge funds and private equity.

Commodity-linked shares and financials fell across the region, with **Rio Tinto** giving up 3.5% and **Macquarie Group** down 3.2% in Sydney, and **Posco** falling 4.1% and **Industrial Bank of Korea** falling 4.9% in Seoul. Trading house **Mitsubishi** Corp. fell 4.5% and energy producer **Inpex** slid in Tokyo.

Shares of **Lihir Gold** dropped 2.2% in Sydney after the company said its gold output will fall slightly in 2010 and 2011.

Chinese metal shares also fell sharply after Goldman Sachs downgraded some large mainland steelmakers as well as **Aluminum Corp. of China**, saying metal producers are likely to have less pricing power than upstream companies or miners. Among those downgraded,**Baoshan Iron & Steel** fell 3.3% and Aluminum Corp. of China dropped 1.8% in Shanghai.

FUND SCORECARD

Europe Mid-Cap Equity

Funds that invest in equities of all sizes, which leads to a mid-cap profile, or focus solely on mid-caps. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 22, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
4	**SVM All Europe SRI Instl**	SVM Asset Management Ltd	GBP	United Kingdom	**3.47**	124.52	2.07	NS
1	**Petercam Equities Europe Recovery A**	Petercam S.A.	EUR	Belgium	**-0.08**	94.81	-11.05	2.51
NS	**ING Intl Converging Europe Eq P EUR**	ING Investment Management Luxembourg	EUR	Luxembrg	**2.87**	93.58	NS	NS
NS	**Athena Vega Equity Acc**	Capfi Delen Asset Management	EUR	Belgium	**2.42**	92.90	-1.53	NS
2	**DWS Europa Innovation**	DWS Investment GmbH	EUR	Germany	**-1.58**	91.87	-7.74	NS
2	**Robeco European MidCap Eq D EUR**	Robeco Asset Management	EUR	Luxembrg	**0.53**	89.31	-3.91	4.61
3	**Postbank Megatrend**	Frankfurter Service Kapitalanlage GmbH	EUR	Germany	**-0.30**	89.20	-5.52	6.77
2	**CPR Middle Cap Europe A/I**	CPR Asset Management	EUR	France	**2.25**	88.90	-7.24	5.19
1	**Robeco European Stars D EUR**	Robeco Asset Management	EUR	Luxembrg	**-0.66**	88.77	-17.18	NS
3	**Natixis Europe Avenir A/I**	Natixis	EUR	France	**1.69**	85.81	-12.22	8.62

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
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London EC1Y 1HQ United Kingdom
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INTERNATIONAL INVESTMENT FUNDS [Search by company, category or country at asia.WSJ.com/funds]

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 238282									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/21	EUR	52.14	-2.9	30.7	-25.1
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/21	USD	10.35	-0.2	35.8	-10.2
Am Eq Blend B	US	EQ	LUX	01/21	USD	9.72	-0.3	34.6	-11.1
Am Growth A	US	EQ	LUX	01/21	USD	30.76	-1.5	40.7	-1.5
Am Growth AX	US	EQ	LUX	01/21	USD	33.21	-1.5	41.5	-0.9
Am Growth B	US	EQ	LUX	01/21	USD	25.85	-1.6	39.3	-2.5
Am Growth C	US	EQ	LUX	01/21	USD	27.83	-1.5	40.1	-1.9
Am Growth I	US	EQ	LUX	01/21	USD	34.11	-1.5	41.8	-0.7
Am Income A	US	BD	LUX	01/21	USD	8.53	1.2	26.5	6.1
Am Income A2	US	BD	LUX	01/21	USD	19.32	1.5	26.4	6.0
Am Income A2	OT	OT	NA	01/21	HKD	150.14	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/21	USD	8.54	1.5	26.5	6.1
Am Income B	US	BD	LUX	01/21	USD	8.53	1.2	25.5	5.2
Am Income B2	US	BD	LUX	01/21	USD	16.65	1.5	25.6	5.3
Am Income B2	OT	OT	NA	01/21	HKD	129.39	1.2	NS	NS
Am Income BT	OT	OT	NA	01/21	HKD	66.68	1.2	NS	NS
Am Income BT	US	BD	LUX	01/21	USD	8.58	1.4	25.5	5.3
Am Income C	US	BD	LUX	01/21	USD	8.53	1.2	25.9	5.5
Am Income C2	US	BD	LUX	01/21	USD	24.76	1.5	25.8	5.6
Am Income I	US	BD	LUX	01/21	USD	8.53	1.2	27.3	6.7
Am Value A	US	EQ	LUX	01/21	USD	8.53	0.0	21.2	-10.3
Am Value B	US	EQ	LUX	01/21	USD	7.85	0.0	20.0	-11.2
Am Value C	US	EQ	LUX	01/21	USD	8.53	0.0	20.7	-10.7
Am Value I	US	EQ	LUX	01/21	USD	9.19	0.1	22.2	-9.5
Emg Mkts Debt A	GL	BD	LUX	01/21	USD	15.63	0.4	44.2	8.4
Emg Mkts Debt A2	GL	BD	LUX	01/21	USD	20.27	0.8	44.3	8.4
Emg Mkts Debt AT	GL	BD	LUX	01/21	USD	15.73	0.8	44.5	8.5
Emg Mkts Debt B	GL	BD	LUX	01/21	USD	15.63	0.4	42.8	7.3
Emg Mkts Debt B2	GL	BD	LUX	01/21	USD	19.51	0.8	42.9	7.3
Emg Mkts Debt BT	GL	BD	LUX	01/21	USD	15.70	0.8	42.8	7.3
Emg Mkts Debt C	GL	BD	LUX	01/21	USD	15.63	0.4	43.6	7.9
Emg Mkts Debt C2	GL	BD	LUX	01/21	USD	19.91	0.8	43.7	7.9
Emg Mkts Debt I	GL	BD	LUX	01/21	USD	15.63	0.4	44.9	9.0
Emg Mkts Growth A	GL	EQ	LUX	01/21	USD	33.59	-3.1	81.0	-9.1
Emg Mkts Growth B	GL	EQ	LUX	01/21	USD	28.45	-3.1	79.2	-10.0
Emg Mkts Growth C	GL	EQ	LUX	01/21	USD	29.11	-3.1	80.1	-9.5
Emg Mkts Growth I	GL	EQ	LUX	01/21	USD	37.25	-3.0	82.3	-8.4
Eur Growth A	OT	OT	LUX	01/21	USD	9.86	-0.4	29.2	-10.5
Eur Growth A	OT	OT	LUX	01/21	EUR	7.00	-0.4	29.2	-10.5
Eur Growth B	OT	OT	LUX	01/21	EUR	6.29	-0.5	27.8	-11.4
Eur Growth B	OT	OT	LUX	01/21	USD	8.86	-0.5	27.8	-11.4
Eur Growth C	EU	EQ	LUX	01/21	EUR	5.30	-0.6	28.6	-10.9
Eur Growth I	OT	OT	LUX	01/21	USD	10.76	-0.4	30.4	-9.8
Eur Growth I	OT	OT	LUX	01/21	EUR	7.64	-0.4	30.4	-9.8
Eur Income A	OT	OT	LUX	01/21	EUR	6.74	2.1	40.7	5.5
Eur Income A	OT	OT	LUX	01/21	USD	9.49	2.1	40.7	5.5
Eur Income A2	OT	OT	LUX	01/21	EUR	13.19	2.5	40.6	5.5
Eur Income A2	OT	OT	LUX	01/21	USD	18.58	2.5	40.6	5.5
Eur Income AT	EU	BD	LUX	01/21	EUR	6.75	2.6	40.6	5.5
Eur Income B	OT	OT	LUX	01/21	EUR	6.74	2.1	39.8	4.8
Eur Income B	OT	OT	LUX	01/21	USD	9.49	2.1	39.8	4.8
Eur Income B2	OT	OT	LUX	01/21	EUR	12.26	2.4	39.6	4.8
Eur Income B2	OT	OT	LUX	01/21	USD	17.27	2.4	39.6	4.8
Eur Income BT	EU	BD	LUX	01/21	EUR	6.75	2.4	39.8	4.8
Eur Income C	OT	OT	LUX	01/21	EUR	6.74	2.1	40.1	5.1
Eur Income C	OT	OT	LUX	01/21	USD	9.49	2.1	40.1	5.1
Eur Income C2	OT	OT	LUX	01/21	EUR	13.14	2.4	39.9	5.0
Eur Income C2	OT	OT	LUX	01/21	USD	18.51	2.4	39.9	5.0
Eur Income I	OT	OT	LUX	01/21	EUR	6.74	2.1	41.3	6.1
Eur Income I	OT	OT	LUX	01/21	USD	9.49	2.1	41.3	6.1
Eur Strat Value A	OT	OT	LUX	01/21	EUR	8.45	-0.9	33.9	-14.1
Eur Strat Value A	OT	OT	LUX	01/21	USD	11.90	-0.9	33.9	-14.1
Eur Strat Value I	OT	OT	LUX	01/21	EUR	8.66	-0.9	35.1	-13.3
Eur Strat Value I	OT	OT	LUX	01/21	USD	12.20	-0.9	35.1	-13.3
Eur Value A	OT	OT	LUX	01/21	EUR	9.10	-1.1	37.7	-11.0
Eur Value A	OT	OT	LUX	01/21	USD	12.82	-1.1	37.7	-11.0
Eur Value B	OT	OT	LUX	01/21	USD	11.79	-1.1	36.3	-11.8
Eur Value B	OT	OT	LUX	01/21	EUR	8.37	-1.1	36.3	-11.8
Eur Value C	OT	OT	LUX	01/21	USD	12.39	-1.0	37.1	-11.4
Eur Value C	OT	OT	LUX	01/21	EUR	8.80	-1.0	37.1	-11.4
Eur Value I	OT	OT	LUX	01/21	USD	14.82	-0.9	39.0	-10.2
Eur Value I	OT	OT	LUX	01/21	EUR	10.52	-0.9	39.0	-10.2
GI Balanced (Euro) A	OT	OT	LUX	01/21	USD	16.20	0.3	25.5	-7.8
GI Balanced (Euro) B	OT	OT	LUX	01/21	USD	15.76	0.2	24.2	-8.8
GI Balanced (Euro) C	OT	OT	LUX	01/21	USD	16.07	0.3	25.2	-8.1
GI Balanced (Euro) I	OT	OT	LUX	01/21	USD	16.49	0.3	NS	NS
GI Balanced A	US	BA	LUX	01/21	USD	16.43	-0.3	30.6	-7.4
GI Balanced B	US	BA	LUX	01/21	USD	15.61	-0.4	29.2	-8.3
GI Balanced C	OT	OT	LUX	01/21	USD	16.18	-0.4	30.2	-7.7
GI Balanced C	OT	OT	LUX	01/21	EUR	11.49	-0.4	30.2	-7.7
GI Balanced I	US	BA	LUX	01/21	USD	17.05	-0.2	31.6	-6.7
GI Bond A	US	BD	LUX	01/21	USD	9.36	1.3	14.9	4.8
GI Bond A2	US	BD	LUX	01/21	USD	16.25	1.5	14.8	4.7
GI Bond A2	OT	OT	NA	01/21	HKD	126.28	1.5	14.8	4.7
GI Bond AT	OT	OT	LUX	01/21	HKD	72.74	1.5	14.8	4.7
GI Bond AT	US	BD	LUX	01/21	USD	9.36	1.5	14.8	4.7
GI Bond B	US	BD	LUX	01/21	USD	9.36	1.3	13.8	3.7
GI Bond B2	US	BD	LUX	01/21	USD	14.22	1.4	13.6	3.7
GI Bond B2	OT	OT	NA	01/21	HKD	110.51	1.4	13.6	3.7
GI Bond BT	OT	OT	LUX	01/21	HKD	72.97	1.4	13.6	3.7
GI Bond BT	US	BD	LUX	01/21	USD	9.39	1.4	13.6	3.7
GI Bond C	US	BD	LUX	01/21	USD	9.36	1.3	14.4	4.3
GI Bond C2	US	BD	LUX	01/21	USD	14.09	1.4	14.2	4.2
GI Bond I	US	BD	LUX	01/21	USD	9.36	1.3	15.5	5.4
GI Conservative A	US	BA	LUX	01/21	USD	14.93	0.4	19.8	-2.3
GI Conservative A2	US	BA	LUX	01/21	USD	17.00	0.4	19.7	-2.3
GI Conservative B	US	BA	LUX	01/21	USD	14.91	0.3	18.5	-3.3
GI Conservative B2	US	BA	LUX	01/21	USD	16.14	0.3	18.5	-3.3
GI Conservative C	US	BA	LUX	01/21	USD	14.92	0.4	19.2	-2.7
GI Conservative C2	US	BA	LUX	01/21	USD	16.62	0.4	19.1	-2.7
GI Conservative I	US	BA	LUX	01/21	USD	15.00	0.4	20.7	-1.5
GI Eq Blend A	GL	EQ	LUX	01/21	USD	11.49	-1.5	40.6	-16.1
GI Eq Blend B	GL	EQ	LUX	01/21	USD	10.78	-1.6	39.3	-17.0
GI Eq Blend C	GL	EQ	LUX	01/21	USD	11.28	-1.6	40.0	-16.5
GI Eq Blend I	GL	EQ	LUX	01/21	USD	12.13	-1.4	41.9	-15.5
GI Growth A	GL	EQ	LUX	01/21	USD	41.14	-1.8	36.9	-17.4
GI Growth B	GL	EQ	LUX	01/21	USD	34.32	-1.9	35.5	-18.2
GI Growth C	GL	EQ	LUX	01/21	USD	39.47	-1.8	36.2	-17.7
GI Growth I	GL	EQ	LUX	01/21	USD	45.70	-1.8	37.9	-16.7
GI High Yield A	US	BD	LUX	01/21	USD	4.41	1.8	60.3	6.7
GI High Yield A2	US	BD	LUX	01/21	USD	9.48	2.4	60.1	6.7
GI High Yield A2	OT	OT	NA	01/21	HKD	73.67	2.4	60.1	6.7
GI High Yield AT	OT	OT	NA	01/21	HKD	34.04	2.3	59.7	6.7
GI High Yield AT	US	BD	LUX	01/21	USD	4.38	2.3	59.7	6.7
GI High Yield B	US	BD	LUX	01/21	USD	4.41	1.8	58.3	5.4
GI High Yield B2	US	BD	LUX	01/21	USD	15.23	2.4	58.5	5.6
GI High Yield B2	OT	OT	NA	01/21	HKD	118.36	2.4	58.5	5.6
GI High Yield BT	OT	OT	NA	01/21	HKD	34.66	2.3	58.5	5.6
GI High Yield BT	US	BD	LUX	01/21	USD	4.46	2.3	58.5	5.6
GI High Yield C	US	BD	LUX	01/21	USD	4.41	1.8	59.4	6.1
GI High Yield C2	US	BD	LUX	01/21	USD	14.04	2.3	59.2	6.2
GI High Yield I	US	BD	LUX	01/21	USD	4.41	1.8	61.5	7.4
GI Thematic Res. A	OT	OT	LUX	01/21	USD	14.48	-1.7	75.7	2.4
GI Thematic Res. B	OT	OT	LUX	01/21	USD	12.66	-1.8	73.9	1.4
GI Thematic Res. I	OT	OT	LUX	01/21	USD	16.15	-1.7	77.1	3.2
GI Value A	GL	EQ	LUX	01/21	USD	11.02	-1.1	44.8	-14.9
GI Value B	GL	EQ	LUX	01/21	USD	10.12	-1.2	43.3	-15.8
GI Value C	GL	EQ	LUX	01/21	USD	10.71	-1.1	44.3	-15.3
GI Value I	GL	EQ	LUX	01/21	USD	11.72	-1.1	46.0	-14.3
Greater China A	AS	EQ	LUX	01/21	USD	38.37	-4.1	64.3	-11.7
Greater China B	AS	EQ	LUX	01/21	USD	33.94	-4.2	62.7	-12.6
Greater China C	AS	EQ	LUX	01/21	USD	37.88	-4.1	63.6	-12.1
India Growth A	OT	OT	LUX	01/21	USD	126.51	-0.3	NS	NS
India Growth AX	OT	OT	LUX	01/21	USD	110.61	-0.3	93.6	-7.6
India Growth B	OT	OT	LUX	01/21	USD	132.46	-0.4	NS	NS
India Growth BX	OT	OT	LUX	01/21	USD	94.49	-0.4	91.7	-8.5
India Growth I	EA	EQ	LUX	01/21	USD	114.66	-0.3	94.5	-7.2
Int'l Health Care A	OT	EQ	LUX	01/21	USD	140.12	1.9	21.2	-6.4
Int'l Health Care B	OT	EQ	LUX	01/21	USD	118.13	1.9	20.0	-7.3
Int'l Health Care C	OT	EQ	LUX	01/21	USD	134.26	1.9	20.6	-6.8
Int'l Health Care I	OT	EQ	LUX	01/21	USD	153.17	2.0	22.2	-5.6
Int'l Technology A	OT	EQ	LUX	01/21	USD	108.55	-1.6	53.9	-5.5
Int'l Technology B	OT	EQ	LUX	01/21	USD	94.01	-1.7	52.3	-6.4
Int'l Technology C	OT	EQ	LUX	01/21	USD	104.88	-1.7	53.2	-5.9
Int'l Technology I	OT	EQ	LUX	01/21	USD	121.77	-1.6	55.1	-4.7
Japan Eq Blend A	JP	EQ	LUX	01/21	JPY	6316.00	4.8	28.9	-14.8
Japan Eq Blend B	JP	EQ	LUX	01/21	JPY	6091.00	4.8	27.6	-15.7
Japan Eq Blend C	JP	EQ	LUX	01/21	JPY	6213.00	4.8	28.3	-15.2
Japan Growth A	JP	EQ	LUX	01/21	JPY	6051.00	3.0	20.2	-15.9
Japan Growth B	JP	EQ	LUX	01/21	JPY	5835.00	2.9	18.9	-16.7
Japan Growth C	JP	EQ	LUX	01/21	JPY	5953.00	3.0	19.6	-16.2
Japan Strat Value A	JP	EQ	LUX	01/21	JPY	6511.00	6.4	37.2	-14.4
Japan Strat Value B	JP	EQ	LUX	01/21	JPY	6285.00	6.3	35.8	-15.3
Japan Strat Value C	JP	EQ	LUX	01/21	JPY	6401.00	6.4	36.5	-14.8
Real Estate Sec. A	OT	EQ	LUX	01/21	USD	13.98	-2.6	48.3	-10.7
Real Estate Sec. B	OT	EQ	LUX	01/21	USD	12.77	-2.7	46.8	-11.6
Real Estate Sec. I	OT	EQ	LUX	01/21	USD	15.02	-2.6	49.3	-10.0
Short Mat Dollar A	US	BD	LUX	01/21	USD	7.32	0.7	12.0	-5.2
Short Mat Dollar A2	US	BD	LUX	01/21	USD	9.88	0.9	11.9	-5.3
Short Mat Dollar AT	US	BD	LUX	01/21	USD	7.32	1.0	12.0	-5.3
Short Mat Dollar B	US	BD	LUX	01/21	USD	7.32	0.7	11.5	-5.7
Short Mat Dollar B2	US	BD	LUX	01/21	USD	9.83	0.9	11.5	-5.7
Short Mat Dollar BT	OT	OT	LUX	01/21	USD	7.34	1.0	11.0	-5.9
Short Mat Dollar C	US	BD	LUX	01/21	USD	7.32	0.7	11.5	-5.7
Short Mat Dollar C2	US	BD	LUX	01/21	USD	13.91	1.0	11.5	-5.6
Short Mat Dollar I	US	BD	LUX	01/21	USD	7.32	0.7	12.6	-4.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/19	USD	99.90	-0.1	21.4	20.6
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
Closed for New Investments									
Superfund Cayman*	OT	OT	CYM	01/19	USD	44.27	8.6	-47.4	-3.7
Superfund GCT USD*	GL	EQ	LUX	01/19	USD	2393.00	9.0	-34.9	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/19	USD	1046.18	8.5	-3.9	5.4
Superfund Green Gold B (SPC)	OT	OT	CYM	01/19	USD	1035.58	10.7	-18.2	2.2
Superfund Q-AG*	OT	OT	AUT	01/19	EUR	6928.00	4.6	NS	3.5
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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INTERNATIONAL INVESTOR

Possible storms ahead

More euro-area jitters, China tightening news could spur volatility

By Fabio Alves

After calm trading conditions and fairly narrow trading ranges since the start of the year, currency markets are bracing for more-volatile market moves this week that may overshadow the U.S. Federal Reserve's rate-setting meeting.

With the Fed widely expected to leave rates near zero and to make few if any changes to its post-meeting statement, events globally and in the U.S. political arena could keep currency investors on their toes. These events include any further steps by China to rein in lending, another round of credit jitters in the nations that use the euro, developments in U.S. bank-overhaul plans, as well as the Senate's vote to reconfirm Ben Bernanke as Fed chairman.

CURRENCY MARKETS

Last week, volatility jumped: The dollar touched the strongest level against the euro since July before giving back some ground. The yen, the biggest beneficiary in the recent flight-to-safety environment, rallied to a one-month high against the greenback.

"Until Feb. 16, when the [European Union] issues their assessment of the Greek budget, there's going to be a lot of volatility," said Ihab Salib, who oversees more than $3 billion as head of international fixed income at Federated Investments Inc. He doesn't expect that the euro will "necessarily" weaken, but volatility will "definitely" be high.

The Chicago Board Options Exchange's volatility index, or VIX, a proxy for investor sentiment, spiked Thursday to its highest level in a month, to as high as 21.93.

"We had been on a downward trending path in terms of the VIX and G-7 currency volatility," said Camilla Sutton, currency strategist at Scotia Capital. "A recent spike-up in both reflects that markets are no longer content that prices are going to stay in these ranges that we've been in, and that the path of prices on the horizon will be more volatile."

The yen has been the biggest beneficiary of the recent flight-to-safety environment.

The J.P. Morgan G-7 volatility index rebounded to 12.15 Friday, after slumping to 11.5 on Jan. 14, the lowest since September 2008. An increase in volatility reduces the appeal of carry trades, when investors borrow cheap money in low-yielding currencies to fund purchases of riskier assets, as price swings may erode profits from those bets on interest-rate differential.

"As volatility rises and risk aversion comes back to the markets, carry trades come under pressure as investors get quite nervous," Ms. Sutton said.

Late Friday in New York, the euro had strengthened to $1.4139 from $1.4094 late Thursday. The dollar fell to 89.87 yen from 90.41 yen, while the euro moved to 127.07 yen from 127.42 yen. The U.K. pound weakened to $1.6114 from $1.6199. The dollar weakened to 1.0414 Swiss francs from 1.0421 francs.

Eyes will also be on the Federal Open Market Committee's interest-rate decision and statement, due out Wednesday afternoon in the U.S. The expectations are that rates will be left unchanged and there will be no change announced in the Fed's asset-purchase program, scheduled to end in March.

"The likelihood is for the Fed's statement to be very similar to the previous one," said Dale Thomas, head of currencies in London at Insight Investment Management, which oversees about $32.2 billion. "I don't think what the Fed says, unless they make massive changes, is going to make any difference whatsoever."

The prospect of China tightening its policy and the euro malaise will continue to dominate sentiment in currency markets, Mr. Thomas said.

Meanwhile, the cost of insuring Greece's debt against default rose to a record Friday amid worries about the country's large budget deficits. Greek authorities said they plan to sell dollar-denominated debt to help shore up finances.

Focus in Treasury sales turns to direct bidding

By Deborah Lynn Blumberg

The U.S. government's Treasury auctions could trump the Federal Reserve this week as market participants scrutinize auction statistics after a recent shift in bidding behavior.

Worries over the global economic outlook and concerns about the Senate's delay in confirming Federal Reserve Chairman Ben Bernanke for a second term could help fuel demand at the government's auctions of a total of $118 billion in two-, five- and seven-year notes.

U.S. CREDIT MARKETS

Mr. Bernanke's term expires Jan. 31, and the Senate must vote on whether to confirm him for another five years. The vote has been pushed back to this week at the earliest. Several senators Friday said they would vote against a second term for Mr. Bernanke, but market participants believe, in the end, he will be reconfirmed.

The auctions coincide with the Fed's first monetary-policy meeting of the year, and while the Fed has several new voters in place, market participants don't expect any major shifts in its thinking as the economy continues to limp along. Policy makers are expected to leave interest rates low for a while, and most observers believe the Fed's first meeting statement of 2010 will differ very little from December's.

That leaves the main focus on the government's offering of Treasurys: a $44 billion sale of two-year notes on Tuesday, a $42 billion sale of five-years Wednesday and a $32 billion sale of seven-years Thursday.

Key will be the amount of bids placed in each auction outside the primary-dealer system, made up of 18 large banks that trade directly with the Fed and are obligated to bid on U.S. government debt. That so-called direct bid is expected to remain robust, as investors—flush with cash at the beginning of the year—seek to put their money to work in the government-bond market without revealing their intentions to the primary dealers.

Typically, it is the auctions' "indirect" bid that market participants have a closer eye on; that category includes large institutions such as foreign central banks. The U.S. needs foreign bidders because they hold about half of its debt outstanding. But since November, some large domestic and foreign money managers, which typically bid at Treasury auctions through primary dealers, have instead placed bids directly with the Treasury.

More direct bidders make it harder for primary dealers to gauge interest in auctions from customers and raise the risk that dealers' interest in the auctions could wane. Worst case, that uncertainty could drive down demand. In the first government-bond sales of the year, two weeks ago, direct bidders took a record 23% of the three-year notes and 17% of the 10-year notes, the highest amount since May 2005.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/22	EUR	50.15	-3.9	42.2	-5.6
Industria AE	EU	EQ	DEU	01/22	EUR	71.77	0.3	38.0	-10.0
InternRent AE	EU	BD	DEU	01/22	EUR	36.37	3.3	1.3	8.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	01/15	USD	286509.90	4.4	107.0	5.9

GAM

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/15	USD	1260.72	1.4	22.4	-7.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/18	JPY	16277.25	4.8	82.9	8.1
GAM Asia Equity Hedge US	OT	OT	VGB	01/18	USD	302.56	4.2	80.2	5.5
GAM Asia Equity USD	OT	OT	VGB	01/21	USD	645.17	-1.3	79.7	-7.7
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/19	USD	1349.82	5.2	32.1	-11.7
GAM Com Glb Bal EUR Op	US	BA	VGB	01/18	EUR	96.46	2.2	18.0	-6.8
GAM Com Glb Bal USD Op	US	BA	VGB	01/18	USD	130.62	2.2	18.0	-6.8
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/18	EUR	99.65	2.9	27.5	-12.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/18	USD	131.18	2.9	27.5	-12.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/18	EUR	87.30	2.2	19.7	-10.3
GAM Comp Glb Gr USD Op	US	BA	VGB	01/18	USD	129.91	2.2	19.7	-10.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/15	USD	250.49	0.7	36.6	-8.7
GAM Cross Trading Inc	OT	OT	VGB	01/18	USD	466.75	0.2	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/18	CHF	94.64	0.3	3.8	-6.6
GAM Diversity EUR Op	OT	OT	VGB	01/18	EUR	651.02	0.4	4.6	-5.0
GAM Diversity USD 2.5XL	OT	OT	VGB	01/18	USD	78.96	0.9	8.4	NS
GAM Diversity USD Op	OT	OT	VGB	01/18	USD	683.63	0.4	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/18	CHF	99.76	0.3	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/18	EUR	139.17	0.3	4.1	-5.1
GAM Dvrsty II USD Op	OT	OT	VGB	01/18	USD	210.79	0.3	NS	-5.4
GAM DvrstyIII EUR Op	OT	OT	VGB	01/18	EUR	115.90	0.3	4.1	-5.3
GAM DvrstyIII USD Op	OT	OT	VGB	01/18	USD	122.35	0.3	4.2	-5.4
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/18	EUR	221.34	1.2	10.8	-3.1
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/18	USD	205.57	1.1	11.6	-1.5
GAM European Equity USD	OT	OT	VGB	01/20	USD	292.51	-0.2	44.1	-10.0
GAM GAMCO	OT	EQ	VGB	01/19	USD	835.19	3.0	46.0	-6.5
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/18	EUR	98.42	0.6	14.2	-16.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/18	USD	103.80	0.6	14.8	-16.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/18	USD	261.83	4.8	28.4	-4.9
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/18	USD	299.67	4.5	120.9	24.0
GAM Intrst Trend II	GL	BD	VGB	01/18	USD	101.98	8.3	50.3	-5.9
GAM Intrst Trend Inc	OT	OT	VGB	01/18	USD	272.16	8.2	62.5	-3.5
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/18	EUR	127.11	8.9	13.8	-1.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/18	USD	132.25	8.4	NS	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/18	JPY	9104.39	8.3	17.9	-13.0
GAM Japan USD	JP	EQ	VGB	01/20	USD	1180.56	7.1	21.6	-11.8
GAM Japan YEN	JP	EQ	VGB	01/20	JPY	9368.93	6.2	25.6	-17.2
GAM Money Mkt EuroOp	EU	MM	VGB	01/20	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/20	USD	100.00	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/18	EUR	112.02	0.7	-0.1	-9.0
GAM Multi-Arb USD Op	OT	OT	VGB	01/18	USD	116.95	0.8	0.1	-9.3
GAM Multi-China EUR Op	OT	OT	VGB	01/18	EUR	170.82	1.7	14.5	-5.4
GAM Multi-China USD Op	OT	OT	VGB	01/18	USD	179.57	1.7	15.1	-6.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/18	GBP	133.88	1.8	26.2	-1.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/18	USD	662.56	1.8	26.2	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/18	EUR	271.20	0.9	7.7	-8.1
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/18	EUR	139.54	0.9	7.6	-8.2
GAM Multi-Eur II USD Op	OT	OT	VGB	01/18	USD	114.03	0.8	7.2	-9.2
GAM Multi-Eur USD Op	OT	OT	VGB	01/18	USD	471.70	0.9	7.3	-9.1
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/18	EUR	134.47	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/18	USD	218.87	0.3	11.6	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/18	EUR	145.11	1.2	6.5	-3.3
GAM Multi-Pac USD Op	OT	OT	VGB	01/18	USD	167.38	1.2	6.5	-3.7
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/15	USD	2721.43	3.2	66.0	10.8
GAM Sing/Malaysia	AS	EQ	VGB	01/20	USD	2575.13	2.0	66.6	-7.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/18	GBP	238.01	3.5	39.8	4.6
GAM Trading EUR Inc	OT	OT	VGB	01/18	EUR	325.76	0.2	5.2	5.6
GAM Trading USD Inc	OT	OT	VGB	01/18	USD	974.91	0.2	5.4	4.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/18	EUR	139.32	0.2	5.1	5.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/18	USD	316.56	0.2	5.4	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/18	EUR	147.04	0.2	4.9	5.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/18	USD	154.82	0.2	5.2	4.8
GAM Trdg V IncEUR Op	OT	OT	VGB	01/18	EUR	124.70	0.2	4.9	5.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/18	USD	129.84	0.2	5.1	4.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/18	EUR	157.33	0.2	5.1	5.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/18	USD	162.82	0.2	5.2	4.8
GAM USDSpecBondInc	US	BD	VGB	01/18	USD	557.68	5.2	70.5	9.0
GAM Worldwide	GL	EQ	VGB	01/20	USD	2228.06	0.1	43.0	-6.8
GAMut Investments	OT	OT	VGB	01/13	USD	7649.45	0.9	5.2	8.1

■ GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/20	CHF	11.16	1.1	60.7	-11.4
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/20	EUR	12.14	1.9	64.2	-6.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/20	GBP	1.56	-0.5	53.8	0.6
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/20	USD	13.45	0.3	80.4	-8.0
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/20	EUR	106.81	5.6	25.4	-9.2
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/20	EUR	103.36	5.6	25.4	-9.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/20	EUR	11.04	0.4	32.0	-6.5
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/20	EUR	185.63	1.4	33.3	-8.6
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/20	EUR	169.62	1.4	33.2	-8.6
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/20	USD	15.96	-0.2	46.2	-9.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/20	USD	14.48	-0.2	46.2	-9.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/20	USD	5.49	0.1	41.2	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/20	EUR	94.96	8.0	15.1	-8.2
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/20	EUR	94.96	8.0	15.1	-8.2
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/20	JPY	977.09	6.1	25.2	-17.1
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/20	USD	11.90	7.0	20.5	-11.9
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/20	USD	2241.46	0.2	43.9	-6.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	01/22	USD	15.14	0.8	39.3	-7.5
American Growth AA	US	EQ	LUX	01/22	USD	0.87	0.8	39.0	-5.9
Asian Equity	AS	EQ	LUX	01/22	USD	2.37	-1.1	78.6	-5.6
Asian Equity AA	AS	EQ	LUX	01/22	USD	0.77	-1.1	77.9	-5.9
Asian Sm Cap Equity AA	AS	EQ	LUX	01/22	USD	1.16	2.4	105.5	-1.1
China Value A	AS	EQ	LUX	01/22	USD	6.79	-2.6	74.2	-1.6
China Value AA	AS	EQ	LUX	01/22	USD	2.13	-2.7	73.7	-1.9
Dragon Growth	AS	EQ	LUX	01/22	USD	1.57	-3.5	73.8	-6.2
Dragon Growth AA	OT	OT	LUX	01/22	HKD	7.65	-3.3	73.6	-7.2
Emg Eastrn Europe A	EU	EQ	LUX	01/22	USD	4.71	5.5	138.8	-11.0
Emg Eastrn Europe AA	EU	EQ	LUX	01/22	USD	2.03	5.5	138.4	-11.1
European Growth	EU	EQ	LUX	01/22	USD	8.89	-0.3	73.1	-10.7
European Growth AA	EU	EQ	LUX	01/22	USD	0.64	-0.3	72.7	-10.9
Global Contrarain AA	GL	EQ	LUX	01/22	USD	0.91	4.6	111.5	NS
Global Property AA	OT	EQ	LUX	01/22	USD	0.67	0.0	68.9	-8.4
Global Resources AA	OT	EQ	LUX	01/22	USD	1.05	0.6	62.5	-7.8
Healthcare AA	OT	EQ	LUX	01/22	USD	0.95	2.4	22.6	NS
India Equity AA	EA	EQ	LUX	01/22	USD	1.08	-0.4	93.7	-11.9
International Growth	GL	EQ	LUX	01/22	USD	3.04	1.6	40.1	-9.5
International Growth AA	GL	EQ	LUX	01/22	USD	0.71	1.6	39.7	-9.7
Japanese Growth	JP	EQ	LUX	01/22	USD	2.90	5.2	22.5	-7.7
Japanese Growth AA	JP	EQ	LUX	01/22	USD	0.76	5.2	22.2	-8.0
Latin America Equity AA	GL	EQ	LUX	01/22	USD	1.22	-1.7	112.2	1.6
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/22	USD	1.01	1.0	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/22	USD	1.14	1.6	NS	NS
Russia Equity AA	EE	EQ	LUX	01/22	USD	0.67	11.7	198.1	-15.9
Taiwan Equity AA	AS	EQ	LUX	01/22	USD	1.04	-1.3	103.3	4.0
Turkey Equity AA	EE	EQ	LUX	01/22	USD	0.80	7.0	161.7	-1.8
U.S. Bond AA	US	BD	LUX	01/22	USD	1.13	1.7	18.7	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	01/22	USD	0.84	3.8	84.3	-5.3
U.S. Special Opportunities	OT	OT	LUX	01/22	USD	0.86	6.3	86.6	5.9
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/22	USD	1.15	0.9	9.4	2.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	01/13	USD	136.95	7.5	110.4	-1.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asia Value Formula Fd-B	AS	EQ	CYM	01/21	USD	8.07	0.6	102.8	-0.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	01/20	EUR	21.25	3.2	51.3	2.2
Bonds EURO A	OT	OT	LUX	01/20	EUR	41.17	0.3	4.9	4.5
Bonds EUROPE A	OT	OT	LUX	01/21	EUR	39.43	0.8	4.8	3.8
Bonds US OppsCoreplus A	OT	OT	LUX	01/20	USD	37.37	1.3	15.6	7.9
Bonds World A	OT	OT	LUX	01/21	USD	42.03	0.1	8.9	4.8
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/21	USD	10.31	-1.1	82.4	-6.5
Eq. China A	AS	EQ	LUX	01/21	USD	22.92	-5.0	73.9	-9.1
Eq. Concentrated Euroland A	OT	OT	LUX	01/21	EUR	90.38	-2.8	27.9	-13.2
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/20	EUR	27.25	0.9	44.6	-13.0
Eq. Emerging Europe A	OT	OT	LUX	01/20	EUR	25.66	8.9	114.0	-19.5
Eq. Euroland A	EU	EQ	LUX	01/21	EUR	10.56	-2.4	26.9	-14.3
Eq. Euroland Small Cap A	OT	OT	LUX	01/21	EUR	143.93	2.0	49.2	-1.3
Eq. EurolandCyclclsA	EU	EQ	LUX	01/21	EUR	17.66	-0.8	37.9	-8.3
Eq. EurolandFinancialA	OT	EQ	LUX	01/20	EUR	11.15	-1.5	60.7	-17.9
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/20	USD	9.60	-0.8	79.2	-12.1
Eq. Global A	GL	EQ	LUX	01/21	USD	27.69	-0.6	41.1	-8.8
Eq. Global Energy A	OT	EQ	LUX	01/20	USD	18.42	1.6	41.1	-8.4
Eq. Global Resources A	OT	OT	LUX	01/20	USD	110.38	1.1	66.6	-6.3
Eq. Gold Mines A	OT	EQ	LUX	01/21	USD	28.94	-4.5	48.4	-1.3
Eq. India A	OT	OT	LUX	01/21	USD	130.32	-0.3	93.1	-12.6
Eq. Japan CoreAlpha A	OT	OT	LUX	01/21	JPY	7848.65	8.2	41.4	-4.3
Eq. Latin America A	OT	OT	LUX	01/20	USD	114.52	-1.5	96.1	-6.2
Eq. US Lg Cap Gr A	US	EQ	LUX	01/21	USD	15.28	0.2	45.2	-7.4
Eq. US Rel Val A	US	EQ	LUX	01/20	USD	21.22	3.0	49.6	-9.5
Eq. US Sm Cap Val A	US	EQ	LUX	01/21	USD	15.98	0.2	33.6	-14.9
Money Market EURO A	EU	MM	LUX	01/20	EUR	27.40	0.0	0.9	2.5
Money Market USD A	US	MM	LUX	01/21	USD	15.83	0.0	0.5	1.6

The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
TNI Mena Real Estate Fund	OT	OT	BMU	01/14	USD	954.00	-0.7	-2.1	-29.6
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/14	AED	5.19	-2.6	6.0	-33.8

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Investing through discipline

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**formerly known as China ABH Shares Fund*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/21	USD	186.63	0.1	103.0	1.3
VP CLassic - B	AS	EQ	CYM	01/21	USD	86.96	0.0	93.6	0.7
VP High Dividend Stk	AS	EQ	CYM	01/18	USD	46.37	2.1	87.8	1.5

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■ YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	OT	OT	IRL	01/22	JPY	9618.00	3.2	26.6	-16.6
YMR-N Small Cap Fund	OT	OT	IRL	01/22	JPY	7031.00	1.2	20.3	-16.0

■ Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	01/22	JPY	6244.00	1.5	14.9	-17.7
Yuki 77 Growth	JP	EQ	IRL	01/22	JPY	5706.00	1.1	8.7	-22.9

■ Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/22	JPY	6962.00	2.0	20.8	-14.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/22	JPY	7844.00	4.0	5.8	-12.5

■ Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/22	JPY	4774.00	2.2	14.9	-17.5
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/22	JPY	5388.00	2.7	11.3	-11.9
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/22	JPY	5116.00	0.2	16.8	-12.9

■ Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/22	JPY	4467.00	1.1	17.1	-21.6
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/22	JPY	4736.00	1.5	17.3	-21.1
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/22	JPY	7062.00	1.3	27.8	-16.0
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/22	JPY	8750.00	1.6	21.4	-14.9
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/22	JPY	6442.00	1.3	13.3	-18.4
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/22	JPY	7780.00	1.9	5.3	-15.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/22	JPY	5325.00	2.6	18.7	-15.7
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/22	JPY	11768.00	1.8	16.1	-9.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/22	JPY	8025.00	0.8	16.5	-21.1
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/22	JPY	7143.00	0.1	24.6	-13.9
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/22	JPY	5761.00	2.0	20.2	-13.1
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/22	JPY	2732.00	0.2	19.8	-23.4

■ Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	01/22	JPY	5529.00	2.0	20.6	-13.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Japan	-1.68%	4.0%	24.9%
Turkey	-2.19	1.6	111.7
Sweden	-0.26	0.3	66.3
South Korea	-2.25	-0.6%	58.6
Russia	-3.22	-0.9	134.9
Netherlands	-0.72	-0.9	46.1
Switzerland	-1.67	-1.6	32.1
U.K.	-0.52	-1.9	31.1
Australia	-1.64	-2.2	42.3
South Africa	-1.47	-2.4	31.5
Italy	-1.22	-2.7	33.5
Singapore	-1.04	-2.9	69.1
France	-1.08	-3.3	35.2
Spain	-0.74	-3.5	26.6
Germany	-0.89	-4.3	30.1
Canada	-1.34	-4.7	28.4
Hong Kong	-0.35	-5.3	59.7
China 88	-0.48	-6.9	54.0
Brazil	-1.26	-9.1	93.2

Dow Jones Regional Sector Titans

Travel Leisure	-0.83%	3.7%	31.5%
Asian 50	-1.24	2.3	50.1
Arab 50	-0.08	2.2	34.4
EU Enlarged†	-1.93	2.0	56.7
Pers H'hold Gds	-0.51	1.4	33.0
Nordic 30	-0.88	unch.	43.5
Stoxx 50	-1.20	-2.4%	32.7
Global 50	-1.62	-2.6	32.0
Tiger 50*	-1.79	-3.7	74.7
Euro Stoxx 50	-0.92	-4.3	32.1

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Friday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Indl Comm Bk China	Hong Kong	Banks	$62.5	5.85	2.27%	80.6%	27.5%
China Constr Bk	Hong Kong	Banks	179.3	6.20	1.31	68.0	31.9
Mizuho Financial Grp	Japan	Banks	29.6	190.00	1.06	-10.4	-78.6
NTT DoCoMo	Japan	Mobile Telecommunications	63.7	137,800	0.51	-12.7	-26.7
Mitsubishi UFJ Finl	Japan	Banks	75.9	493.00	0.20	4.0	-67.1
Shin-Etsu Chml	Japan	Specialty Chemicals	$23.2	4,945	-5.99%	26.5	-37.5
Hon Hai Precision Ind	Taiwan	Electrical Components Equip	36.8	138.00	-5.48	169.0	-8.9
Mitsubishi	Japan	Industrial Suppliers	41.7	2,292	-4.50	96.1	-4.7
Shinhan Financial Grp	South Korea	Banks	16.9	40,900	-4.10	66.0	-13.3
POSCO	South Korea	Iron Steel	38.9	590,000	-4.07	73.3	85.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Woolworths Australia (Food Retailers Wholesalers)	30.6	27.50	...	8.3%	18.2%
Westfield Grp Australia (Retail REITs)	26.1	12.51	...	4.6	-42.0
Takeda Pharm Japan (Pharmaceuticals)	35.0	4,000	...	-4.8	-49.4
PetroChina Hong Kong (Integrated Oil Gas)	24.9	9.17	-0.11%	64.3	-4.4
Tokyo Elec Power Japan (Conventional Electricity)	37.2	2,488	-0.32	-10.2	-38.7
China Life Ins Hong Kong (Life Insurance)	34.2	35.75	-0.56	79.7	52.8
Cheung Kong Hong Kong (Real Estate Holding Development)	28.6	95.90	-0.57	41.8	-4.9
Sumitomo Mitsui Finl Japan (Banks)	33.5	3,000	-0.66	-6.3	-75.8
China Mobile (HK) Hong Kong (Mobile Telecommunications)	190.6	74.50	-0.67	8.8	2.6
Kansai Elec Power Japan (Conventional Electricity)	22.4	2,121	-0.70	-9.2	-37.3
Nippon T&T Japan (Fixed Line Telecommunications)	58.1	3,965	-0.75	-15.6	-35.7
Canon Japan (Electronic Office Equipment)	51.6	3,770	-0.79	48.4	-42.0
East Japan Railway Japan (Travel Tourism)	27.1	6,180	-0.80	-2.4	-25.9
Nintendo Japan (Toys)	36.2	25,530	-0.85	-14.9	-25.2
Westpac Bking Australia (Banks)	66.8	25.38	-0.90	73.8	1.5
Japan Tobacco Japan (Tobacco)	34.3	323,000	-0.92	29.2	-44.2
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	34.3	104.00	-0.95	58.8	8.7
KDDI Japan (Mobile Telecommunications)	26.4	539,000	-1.10	-5.9	-37.4
Sony Japan (Consumer Electronics)	34.7	3,145	-1.26	74.5	-45.8
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.9	54.55	-1.36	48.4	-30.9

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.8	2,615	-1.36%	21.6%	-40.2%
Commonwlth Bk of Aus Australia (Banks)	76.6	55.75	-1.43	131.6	11.2
Panasonic Japan (Consumer Electronics)	34.5	1,506	-1.44	42.3	-37.1
National Australia Bk Australia (Banks)	50.6	26.72	-1.73	57.7	-33.7
QBE Ins Grp Australia (Reinsurance)	21.4	23.08	-1.79	1.6	-23.8
Nippon Steel Japan (Iron Steel)	25.4	364.00	-1.89	37.4	-48.3
Nissan Motor Japan (Automobiles)	33.8	750.00	-1.96	163.2	-50.6
BHP Billiton Australia (General Mining)	126.5	41.70	-2.27	51.9	59.8
CNOOC Hong Kong (Exploration Production)	66.5	11.56	-2.36	77.9	73.1
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	49.5	61.10	-2.40	52.8	-8.8
Honda Motor Japan (Automobiles)	65.4	3,230	-2.42	63.1	-31.9
Aus NZ Bk Australia (Banks)	51.3	22.65	-2.62	87.8	-21.7
Seven I Hldgs Japan (Broadline Retailers)	19.5	1,948	-2.89	-21.1	-47.4
Mitsui Japan (Industrial Suppliers)	28.0	1,394	-2.92	57.0	-26.2
Samsung Elec South Korea (Semiconductors)	105.6	825,000	-2.94	86.7	40.6
JFE Hldgs Japan (Iron Steel)	19.6	3,340	-3.05	55.4	-50.1
Toyota Motor Japan (Automobiles)	141.5	4,055	-3.22	44.3	-49.2
Woodside Petroleum Australia (Exploration Production)	28.8	44.37	-3.33	33.9	19.1
RioZim Ltd Australia (General Mining)	40.0	72.94	-3.45	142.8	19.3
KB Fncl Group South Korea (Banks)	18.1	54,100	-3.74	74.4	-23.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.11%	0.54%	1.4%	0.0%	6.4%
Event Driven	-0.09	1.35	2.8	0.9	14.6
Equity Long/Short	-0.87	2.04	1.8	1.4	4.4

*Estimates as of 01/21/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

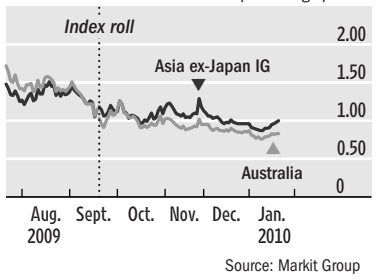
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.78	100.99%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.14	99.38	0.01	1.76	0.92	1.31
Europe Crossover: 12/1	4.37	102.52	0.05	6.15	3.79	5.00
Asia ex-Japan IG: 12/1	1.00	100.01	0.01	1.29	0.87	1.04
Japan: 12/1	1.31	98.52	0.01	1.68	0.99	1.32

Note: Data as of January 21

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Taisei	343	-7	2	-29
Kajima	372	-4	17	33
Mazda Mtr	188	-3	-3	-22
Takashimaya	93	-3	3	-6
Nomura Hldgs	197	-2	-4	-11
Chubu Elec Pwr	30	-1	-2	-2
Nishimatsu Constr C	544	-1	-2	9
NTT Docomo	22	-1	-1	-3
Temasek Hldgs	43	-1	3	-2
Toray Inds	48	-1	1	-2

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Bk of China	114	5	15	-1
Korea Exchange Bk	121	5	18	2
Expt Import Bk of China	115	6	16	-2
Shin Han Bk	118	6	18	14
Malayan Bkg	98	6	9	6
Rep Korea	100	7	20	13
Kookmin Bk	111	7	19	12
KT&G	82	7	21	6
Socialist Rep Vietnam	252	9	18	15
Promise	624	24	74	-217

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, Eurozone

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

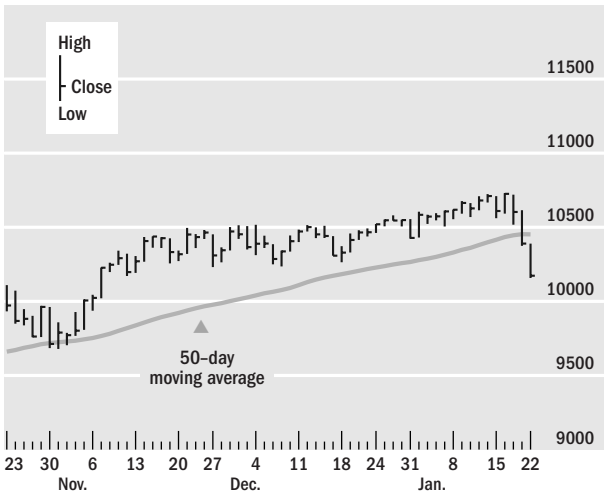
	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$814	7.2%	29%	31%	37%	3%
Deutsche Bank	751	6.7	20	48	29	3
BNP Paribas	685	6.1	23	48	21	8
Credit Suisse	606	5.4	30	41	27	2
Goldman Sachs	558	5.0	33	15	51	1
Calyon	461	4.1	33	49	9	9
Bank of America Merrill Lynch	454	4.0	27	28	40	5
Morgan Stanley	439	3.9	42	26	30	2
SG Corporate Investment Banking	438	3.9	30	53	10	7

Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 17

LAST: **10172.98** ▼ 216.90, or 2.09%
YEAR TO DATE: ▼ **255.07, or 2.4%**
OVER 52 WEEKS ▲ **2,095.42, or 25.9%**



Nasdaq Composite Index P/E: 39*

LAST: **2205.29** ▼ 60.41, or 2.67%
YEAR TO DATE: ▼ **63.86, or 2.8%**
OVER 52 WEEKS ▲ **728.00, or 49.3%**

S&P 500 Index P/E: 47

LAST: **1091.76** ▼ 24.72, or 2.21%
YEAR TO DATE: ▼ **23.34, or 2.1%**
OVER 52 WEEKS ▲ **259.81, or 31.2%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**36.30**	$25.39	-0.28	**-1.09%**
Alcoa	AA	**82.30**	13.40	-0.85	**-5.96**
AmExpress	AXP	**25.00**	38.59	-3.57	**-8.47**
BankAm	BAC	**357.30**	14.90	-0.57	**-3.68**
Boeing	BA	**4.20**	57.77	-1.43	**-2.42**
Caterpillar	CAT	**14.00**	54.25	-2.60	**-4.57**
Chevron	CVX	**12.80**	74.59	-1.65	**-2.16**
CiscoSys	CSCO	**66.20**	22.97	-1.01	**-4.21**
CocaCola	KO	**10.40**	54.24	-0.13	**-0.24**
Disney	DIS	**13.60**	29.98	-0.63	**-2.06**
DuPont	DD	**7.60**	32.50	-0.65	**-1.96**
ExxonMobil	XOM	**35.90**	66.10	-0.60	**-0.90**
GenElec	GE	**148.50**	16.11	0.09	**0.56**
HewlettPk	HPQ	**18.70**	49.29	-2.00	**-3.90**
HomeDpt	HD	**15.40**	27.72	-0.76	**-2.67**
Intel	INTC	**111.40**	19.91	-0.93	**-4.46**
IBM	IBM	**9.50**	125.50	-3.50	**-2.71**
JPMorgChas	JPM	**103.30**	39.16	-1.38	**-3.40**
JohnsJohns	JNJ	**12.50**	63.20	-0.77	**-1.20**
KftFoods	KFT	**16.00**	27.87	-0.37	**-1.31**
McDonalds	MCD	**15.00**	63.39	0.19	**0.30**
Merck	MRK	**15.70**	38.87	-1.21	**-3.02**
Microsoft	MSFT	**92.10**	28.96	-1.05	**-3.50**
Pfizer	PFE	**54.10**	18.96	-0.28	**-1.46**
ProctGamb	PG	**16.60**	60.31	0.47	**0.79**
3M	MMM	**4.50**	81.48	-1.22	**-1.48**
TravelersCos	TRV	**6.30**	48.31	-0.64	**-1.31**
UnitedTech	UTX	**5.20**	69.08	-1.05	**-1.50**
Verizon	VZ	**21.30**	30.34	-0.29	**-0.95**
WalMart	WMT	**18.10**	52.94	0.02	**0.04**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**653.5**	$3.25	–$0.02	**–0.61%**
BankAm	BAC	**368.6**	14.90	–0.57	**–3.68**
SPDR S&P 500	SPY	**344.9**	109.21	–2.49	**–2.23**
SPDR FnclSelSct	XLF	**211.8**	14.18	–0.48	**–3.26**
PwrShrs QQQ	QQQQ	**170.9**	44.16	–1.33	**–2.92**
GenElec	GE	**162.5**	16.11	0.09	**0.56**
FordMotor	F	**161.3**	10.52	–0.66	**–5.90**
Intel	INTC	**116.2**	19.91	–0.93	**–4.46**
iShrMSCIEmrgMkt	EEM	**108.2**	39.61	–0.90	**–2.22**
DrxFinancBear 3x	FAZ	**106.6**	19.88	1.65	**9.06**
JPMorgChas	JPM	**106.5**	39.16	–1.38	**–3.40**
Microsoft	MSFT	**101.9**	28.96	–1.05	**–3.50**
Alcoa	AA	**84.4**	13.40	–0.85	**–5.96**
iShrRu2000	IWM	**82.5**	61.73	–1.13	**–1.79**
CiscoSys	CSCO	**70.4**	22.97	–1.01	**–4.21**

Biggest gainers...

GenVec	GNVC	**19,765.7**	$2.99	$0.60	**25.10%**
PoniardPharm	PARD	**23,707.8**	2.61	0.47	**21.96**
Conexant	CNXT	**11,194.4**	3.59	0.64	**21.69**
ToreadorRescs	TRGL	**1,930.9**	13.05	1.55	**13.48**
MomntaPharm	MNTA	**2,961.8**	15.12	1.70	**12.67**

...Biggest losers

DerbrnBcp	DEAR	**883.8**	$1.66	-$0.49	**-22.79%**
Curis	CRIS	**4,024.6**	2.37	-0.59	**-19.93**
CapOneFnlWt	COF%	**547.9**	12.76	-2.35	**-15.55**
HanmiFinCp	HAFC	**2,657.8**	2.18	-0.37	**-14.51**
FredMac pfO	FREO	**16.9**	1.77	-0.30	**-14.49**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**20,397.2**	$10.09	-0.50	**-4.72%**
4.24	1.65	**Utd Microelectronics**	UMC	**7,079.5**	3.86	-0.21	**-5.16**
82.74	33.09	**BHP Billiton**	BHP	**5,261.8**	73.21	-1.51	**-2.02**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**4,211.2**	6.80	-0.46	**-6.34**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**3,879.6**	5.38	0.06	**1.13**
13.30	6.25	**AU Optrncs**	AUO	**3,161.7**	11.69	-0.14	**-1.18**
15.95	8.56	**China Unicom**	CHU	**2,373.4**	11.66	-0.34	**-2.83**
59.22	40.20	**China Mobile**	CHL	**2,097.5**	46.87	-0.97	**-2.03**
59.13	22.61	**Infosys Tech**	INFY	**1,779.9**	54.11	-1.74	**-3.12**
18.20	6.85	**Korea Elec Pwr**	KEP	**1,593.7**	17.46	0.03	**0.17**
34.95	15.64	**Sony**	SNE	**1,571.9**	34.18	-0.18	**-0.52**
18.64	12.59	**SK Telecom**	SKM	**1,543.1**	17.28	-0.79	**-4.37**
18.26	13.11	**NTT DoCoMo**	DCM	**1,450.8**	15.21	0.25	**1.67**
34.27	9.91	**Aluminum Cp of China**	ACH	**1,258.3**	27.35	-1.05	**-3.70**
9.50	3.96	**Nomura Hldgs**	NMR	**1,192.3**	7.63	-0.14	**-1.80**
81.00	37.43	**China Life Ins**	LFC	**1,107.4**	67.19	-0.96	**-1.41**
5.23	1.51	**Adv Semi Engrg**	ASX	**878.7**	4.19	-0.24	**-5.42**
21.47	11.30	**KT Corp**	KT	**878.5**	20.73	-0.20	**-0.96**
150.50	47.09	**POSCO**	PKX	**707.1**	123.10	-6.45	**-4.98**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**655.8**	20.90	0.15	**0.72**
4.68	1.50	**SemiMfgInt**	SMI	**583.8**	4.22	-0.09	**-2.09**
26.67	17.71	**NTT**	NTT	**527.7**	21.75	-0.03	**-0.14**
37.23	20.72	**Honda Motor**	HMC	**523.0**	35.11	-0.58	**-1.63**
91.97	56.79	**Toyota Motor**	TM	**519.1**	88.17	-2.25	**-2.49**
17.15	10.60	**Matsushita Elec**	PC	**512.6**	16.40	-0.08	**-0.49**
7.74	2.00	**Alumina**	AWC	**509.0**	5.86	-0.10	**-1.68**
43.95	21.23	**Canon**	CAJ	**431.0**	41.08	0.03	**0.07**
13.45	2.00	**City Telecom**	CTEL	**426.6**	10.48	-1.15	**-9.89**
135.92	63.94	**PetroChina**	PTR	**408.6**	114.34	-1.98	**-1.70**
171.59	75.59	**CNOOC**	CEO	**337.5**	143.90	-5.32	**-3.57**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

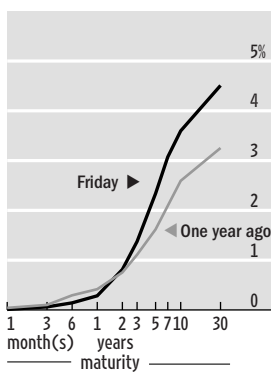
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.370%**	**355.4**	357.7	340.8	**195.5**	**4.455%**	4.325%	**2.694%**
4.500	10	**5.480**	**188.1**	194.8	181.6	**159.2**	**5.590**	5.575	**4.188**
5.000	**Austria** 2	**1.694**	**87.8**	75.4	2.4	**76.2**	**1.632**	0.941	**1.501**
3.900	10	**3.673**	**7.4**	6.4	-13.2	**146.6**	**3.706**	3.627	**4.062**
2.000	**Belgium** 2	**1.423**	**60.7**	55.5	12.9	**86.0**	**1.433**	1.046	**1.599**
3.750	10	**3.808**	**20.9**	18.0	-11.9	**184.6**	**3.822**	3.640	**4.442**
1.250	**Canada** 2	**1.179**	**36.3**	33.9	48.0	**41.4**	**1.217**	1.397	**1.153**
3.750	10	**3.379**	**-22.0**	-23.4	-16.7	**15.6**	**3.408**	3.592	**2.752**
4.000	**Denmark** 2	**1.852**	**103.6**	98.1	107.9	**173.9**	**1.859**	1.996	**2.478**
4.000	10	**3.571**	**-2.8**	-6.6	-18.9	**91.6**	**3.576**	3.570	**3.512**
1.500	**France** 2	**1.016**	**20.0**	14.8	20.4	**92.0**	**1.026**	1.121	**1.659**
3.750	10	**3.452**	**-14.7**	-16.0	-25.9	**106.3**	**3.482**	3.500	**3.659**
1.250	**Germany** 2	**1.115**	**29.9**	25.7	26.5	**70.7**	**1.135**	1.182	**1.446**
3.250	10	**3.201**	**-39.8**	-40.3	-50.7	**49.5**	**3.239**	3.252	**3.091**
0.550	**Hong Kong** 2	**0.652**	**-16.4**	-17.5	-37.6	**-7.7**	**0.703**	0.541	**0.662**
2.160	10	**2.980**	**-61.9**	-57.3	-120.2	**-110.8**	**3.069**	2.557	**1.488**
5.000	**Italy** 2	**1.688**	**87.2**	57.4	56.5	**186.3**	**1.452**	1.482	**2.602**
4.250	10	**4.053**	**45.4**	44.2	26.6	**216.1**	**4.084**	4.025	**4.757**
0.200	**Japan** 2	**0.165**	**-65.1**	-71.5	-74.7	**-37.3**	**0.163**	0.170	**0.366**
1.300	10	**1.335**	**-226.4**	-229.6	-250.6	**-136.5**	**1.346**	1.253	**1.231**
4.000	**Netherlands** 2	**0.650**	**-16.6**	-19.6	-7.1	**122.0**	**0.682**	0.846	**1.959**
4.000	10	**3.416**	**-18.3**	-18.7	-30.7	**134.4**	**3.455**	3.452	**3.940**
3.200	**Portugal** 2	**1.620**	**80.4**	42.5	40.7	**124.3**	**1.303**	1.324	**1.982**
4.750	10	**4.278**	**67.9**	62.5	24.1	**205.0**	**4.267**	4.000	**4.646**
5.350	**Spain** 2	**1.535**	**71.9**	66.7	59.6	**167.0**	**1.545**	1.513	**2.409**
4.000	10	**4.121**	**52.2**	49.0	17.8	**168.5**	**4.132**	3.937	**4.281**
2.750	**Switzerland** 2	**0.555**	**-26.1**	-32.0	-32.4	**-18.7**	**0.558**	0.593	**0.552**
2.250	10	**2.024**	**-157.5**	-161.8	-179.0	**-41.0**	**2.024**	1.969	**2.186**
3.250	**U.K.** 2	**1.256**	**44.0**	39.2	33.9	**71.1**	**1.270**	1.256	**1.450**
4.500	10	**3.921**	**32.2**	32.2	15.0	**90.6**	**3.964**	3.909	**3.502**
1.000	**U.S.** 2	**0.816**	**...**	...	...	**...**	**0.878**	0.917	**0.739**
3.375	10	**3.599**	**...**	...	...	**...**	**3.642**	3.759	**2.596**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.509%**	16.28	2.34%	2.34%	2.34%	–15.99%
10-year Treasury	**3.597**	8.22	2.20	2.20	2.20	–4.83
7 Year Treasury	**3.074**	6.17	2.15	2.15	2.15	...
Five-year Treasury	**2.339**	4.61	1.76	1.76	1.76	1.44
Ryan Index	**2.618**	6.68	1.71	1.71	1.71	–2.52
3 Year Treasury	**1.375**	2.91	1.11	1.11	1.11	2.37
Two-year Treasury	**0.813**	1.92	0.70	0.70	0.70	1.95
1 Year Treasury	**0.284**	0.97	0.21	0.21	0.21	1.17
Six-month Treasury	**0.142**	0.50	0.04	0.04	0.04	0.63
Ryan Cash Index-a	**0.124**	0.45	0.06	0.06	0.06	0.58
Three-month bill	**0.061**	0.25	0.01	0.01	0.01	0.36
One-month bill	**0.010**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.53
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.40125%
Three month	**0.24906**	1.16938
Six month	**0.38469**	1.62750
One year	**0.85750**	1.91500

	Latest	52 wks ago
Euro Libor		
One month	**0.39250%**	1.84375%
Three month	**0.61375**	2.19000
Six month	**0.92875**	2.29250
One year	**1.19875**	2.37500
Hibor		
One month	**0.07893**	0.34714%
Three month	**0.14929**	0.94929
Six month	**0.28857**	1.25000
One year	**0.59071**	1.70000
Asian dollars		
One month	**0.2445%**	0.41%
Three month	**0.2608**	1.1800
Six month	**0.4038**	1.6250
One year	**0.8788**	1.9025

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.18%**	0.28%
U.K. (BBA)	**0.502**	1.392
Euro zone	**0.30**	1.11

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	364.75	-7.25	-1.95%	712.25	315.50
Soybeans (cents/bu.)	CBOT	951.50	-2.50	-0.26	1,560.00	805.00
Wheat (cents/bu.)	CBOT	498.50	-1.00	-0.20	1,029.25	459.00
Live cattle (cents/lb.)	CME	90.550	0.050	0.06%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,425	-6	-0.17	3,510	1,994
Coffee (cents/lb.)	ICE-US	139.60	0.90	0.65	188.65	115.00
Sugar (cents/lb.)	ICE-US	28.78	-0.48	-1.64	29.82	11.91
Cotton (cents/lb.)	ICE-US	71.07	-0.78	-1.09	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,455.00	-33	-1.33	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,340	13	0.56	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,360	33	2.49	1,710	1,300
Copper (cents/lb.)	COMEX	334.70	5.20	1.58	365.00	135.50
Gold ($/troy oz.)	COMEX	1089.70	-13.50	-1.22	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1693.20	-57.80	-3.30	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,219.50	-37.50	-1.66	2,356.50	1,288.00
Tin ($/ton)	LME	17,600.00	-325.00	-1.81	18,250.00	9,945.00
Copper ($/ton)	LME	7,259.00	-119.00	-1.61	7,695.00	3,085.00
Lead ($/ton)	LME	2,245.00	-48.00	-2.09	2,615.00	995.00
Zinc ($/ton)	LME	2,343.00	-126.00	-5.10	2,659.00	1,086.00
Nickel ($/ton)	LME	18,505	-370	-1.96	21,150	9,475
Crude oil ($/bbl.)	NYMEX	74.54	-1.54	-2.02	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9530	-0.0445	-2.23	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9734	-0.0210	-1.05	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.750	0.182	3.27	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	72.83	-1.75	-2.35	98.10	49.10
Gas oil ($/ton)	ICE-EU	605.00	-14.50	-2.34	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 22

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3850	0.1857	3.8105	0.2624
Brazil real	2.5561	0.3912	1.8088	0.5529
Canada dollar	1.4895	0.6714	1.0540	0.9488
1-mo. forward	1.4896	0.6713	1.0540	0.9487
3-mos. forward	1.4896	0.6713	1.0541	0.9487
6-mos. forward	1.4898	0.6712	1.0542	0.9486
Chile peso	715.72	0.001397	506.45	0.001975
Colombia peso	2802.16	0.0003569	1982.85	0.0005043
Ecuador US dollar-f	1.4132	0.7076	1	1
Mexico peso-a	18.2978	0.0547	12.9478	0.0772
Peru sol	4.0361	0.2478	2.8560	0.3501
Uruguay peso-e	27.628	0.0362	19.550	0.0512
U.S. dollar	1.4132	0.7076	1	1
Venezuela bolivar	6.07	0.164766	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5609	0.6407	1.1045	0.9054
China yuan	9.6478	0.1037	6.8270	0.1465
Hong Kong dollar	10.9832	0.0910	7.7719	0.1287
India rupee	65.4524	0.0153	46.3150	0.0216
Indonesia rupiah	13164	0.0000760	9315	0.0001074
Japan yen	127.32	0.007854	90.10	0.011099
1-mo. forward	127.31	0.007855	90.08	0.011101
3-mos. forward	127.27	0.007858	90.05	0.011104
6-mos. forward	127.18	0.007863	89.99	0.011112
Malaysia ringgit-c	4.8021	0.2082	3.3980	0.2943
New Zealand dollar	1.9847	0.5039	1.4044	0.7121
Pakistan rupee	119.557	0.0084	84.600	0.0118
Philippines peso	64.795	0.0154	45.850	0.0218
Singapore dollar	1.9834	0.5042	1.4035	0.7125
South Korea won	1630.83	0.0006132	1154.00	0.0008666
Taiwan dollar	45.208	0.02212	31.990	0.03126
Thailand baht	46.713	0.02141	33.055	0.03025

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7076	1.4132
1-mo. forward	1.0001	0.9999	0.7077	1.4131
3-mos. forward	1.0002	0.9998	0.7078	1.4129
6-mos. forward	1.0007	0.9993	0.7081	1.4122
Czech Rep. koruna-b	26.114	0.0383	18.479	0.0541
Denmark krone	7.4460	0.1343	5.2689	0.1898
Hungary forint	271.07	0.003689	191.82	0.005213
Norway krone	8.2023	0.1219	5.8041	0.1723
Poland zloty	4.0940	0.2443	2.8970	0.3452
Russia ruble-d	42.205	0.02369	29.865	0.03348
Sweden krona	10.2139	0.0979	7.2275	0.1384
Switzerland franc	1.4697	0.6804	1.0400	0.9615
1-mo. forward	1.4695	0.6805	1.0398	0.9617
3-mos. forward	1.4690	0.6808	1.0395	0.9620
6-mos. forward	1.4679	0.6812	1.0387	0.9627
Turkey lira	2.1127	0.4733	1.4950	0.6689
U.K. pound	0.8764	1.1410	0.6202	1.6125
1-mo. forward	0.8766	1.1407	0.6203	1.6121
3-mos. forward	0.8770	1.1402	0.6206	1.6114
6-mos. forward	0.8775	1.1396	0.6210	1.6104
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5328	1.8770	0.3770	2.6526
Egypt pound-a	7.6952	0.1300	5.4453	0.1836
Israel shekel	5.2553	0.1903	3.7188	0.2689
Jordan dinar	1.0001	0.9999	0.7077	1.4130
Kuwait dinar	0.4054	2.4669	0.2868	3.4863
Lebanon pound	2123.33	0.0004710	1502.50	0.0006656
Saudi Arabia riyal	5.2885	0.1891	3.7423	0.2672
South Africa rand	10.7434	0.0931	7.6022	0.1315
United Arab dirham	5.1906	0.1927	3.6730	0.2723
SDR -f	0.9054	1.1045	0.6406	1.5609

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
54	**ASIA-PACIFIC**	**DJ Asia-Pacific**	125.13	-1.47	-1.16%	1.7%	48.1%
...	Australia	**SPX/ASX 200**	4750.61	-76.55	-1.59	-2.5	42.1
28	China	**CBN 600**	27745.59	-426.40	-1.51	-4.5	66.7
20	Hong Kong	**Hang Seng**	20726.18	-136.49	-0.65	-5.2	64.8
19	India	**Sensex**	16859.68	-191.46	-1.12	-3.5	94.4
...	Indonesia	**Jakarta Composite**	2610.340	-28.042	-1.06	3.0	98.4
...	Japan	**Nikkei Stock Average**	10590.55	-277.86	-2.56	0.4	36.7
...		**Topix**	940.94	-15.09	-1.58	3.7	21.6
...	Malaysia	**Kuala Lumpur Composite**	1300.45	-7.91	-0.60	2.2	49.0
...	New Zealand	**NZSX-50**	3190.429	-34.860	-1.08	-1.2	17.9
9	Pakistan	**KSE 100**	9774.07	20.23	0.21%	4.1	98.3
14	Philippines	**Manila Composite**	3023.47	-62.11	-2.01	-1.0	62.8
...	Singapore	**Straits Times**	2819.71	-31.27	-1.10	-2.7	67.3
11	South Korea	**Kospi**	1684.35	-37.66	-2.19	0.1	54.0
20	Taiwan	**Weighted**	7927.31	-200.56	-2.47	-3.2	86.6
10	Thailand	**SET**	714.10	-4.89	-0.68	-2.8	64.7
50	**EUROPE**	**DJ Stoxx 600**	249.91	-2.85	-1.13	-1.3	36.9
22		**DJ Stoxx 50**	2522.76	-30.51	-1.19	-2.2	32.7
62	**Euro Zone**	**DJ Euro Stoxx**	266.50	-2.44	-0.91%	-3.0%	34.1%
20		**DJ Euro Stoxx 50**	2836.80	-26.45	-0.92	-4.4	32.1
...	Denmark	**OMX Copenhagen**	325.16	-2.75	-0.84	3.0	42.8
21	Finland	**OMX Helsinki**	6534.06	-66.90	-1.01	1.2	31.7
19	France	**CAC-40**	3820.78	-41.38	-1.07	-2.9	34.1
20	Germany	**DAX**	5695.32	-51.65	-0.90	-4.4	36.3
15	Italy	**FTSE MIB**	22567.81	-308.65	-1.35	-2.9	30.6
...	Netherlands	**AEX**	329.48	-2.69	-0.81	-1.7	40.7
...	Russia	**RTSI**	1489.46	-40.83	-2.67	4.4	199.0
11	Spain	**IBEX 35**	11373.4	-70.6	-0.62	-4.7	39.2
14	Switzerland	**SMI**	6493.96	-84.99	-1.29	-0.8	22.4
...	Turkey	**ISE National 100**	53997.49	-1303.69	-2.36	2.2	117.9
15	U.K.	**FTSE 100**	5302.99	-32.11	-0.60	-2.0	30.9
21	**AMERICAS**	**DJ Americas**	289.80	-6.16	-2.08	-2.3	38.2
...	Brazil	**Bovespa**	66220.04	-50.09	-0.08	-3.5	73.7
...	Argentina	**Merval**	2331.60	-8.60	-0.37	0.5	118.6
20	Mexico	**IPC**	30830.91	-374.39	-1.20	-4.0	59.3

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 5:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.16%	22	**DJ Global Index**	223.57	-3.35	-3.35%	44.6%	-1.5%	-7.1%
		Global DOW	1947.81	-16.72	-16.72	44.5	-0.8	-3.1
2.30		**Asia/Pacific 600**	118.62	-0.82	-0.82	38.3	-0.7	-7.2
1.73	15	**Emerging Markets**	273.19	-4.98	-4.98	90.2	-1.8	2.9
2.11	54	**Asia/Pacific**	125.13	-1.47	-1.47	48.1	-1.2	-5.3
2.40	17	**Asia/Pacific ex-Japan**	308.93	-5.49	-5.49	87.8	-1.7	-0.2
2.55	24	**Southeast Asia**	158.36	-3.07	-3.07	89.1	-1.9	1.5
0.85	28	**CBN China 600** -c	27745.59	-426.40	-426.40	66.7	-1.5	13.0
0.87	32	**Shanghai**	373.93	-4.84	-4.84	67.0	-1.3	13.6
0.59	45	**Shenzhen**	402.14	-10.73	-10.73	89.8	-2.6	18.9
2.31	18	**China Offshore 50**	3843.54	-16.57	-16.57	70.9	-0.4	4.8
7.63	9	**Australia LPT** -c, d	1131.18	-11.64	-11.64	16.1	-1.0	-22.1
2.08%	15	**Islamic Market**	1961.45	-15.43	-15.43%	42.5%	-0.8%	-1.8%
2.38	16	**Islamic Market 100**	2106.72	-14.95	-14.95	30.3	-0.7	-2.7
9.44	26	**Bahrain**	123.52	1.32	1.32	-11.5	1.1	-13.1
2.91	36	**Kuwait**	193.79	1.77	1.77	21.1	0.9	-15.9
2.60	21	**Sustainability**	990.06	-11.62	-11.62	47.6	-1.2	-8.1
2.72	50	**Stoxx 600**	263.71	-1.61	-1.61	51.3	-0.6	-9.9
4.74	17	**Stoxx Select Div 30**	1750.72	-7.89	-7.89	51.9	-0.5	-21.7
3.98	23	**Euro Stoxx Sel Div 30**	2078.19	-7.91	-7.91	59.0	-0.4	-17.3
1.74	30	**DJ U.S. TSM**	11289.07	-250.72	-250.72	34.6	-2.2	-7.6
4.22	15	**U.S. Select Dividend** -d	640.86	-10.94	-10.94	27.2	-1.7	-10.4
4.81		**U.S. REIT**	139.19	-3.04	-3.04	33.6	-2.1	-20.3
		DJ-UBS Commodity -p	134.90	-0.73	-0.73	19.1	-0.5	-5.8

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
		1.104	0.620	1.054	6.827	0.708	7.772	46.315	9315.32	90.095	1.404	1154.00	3.398	45.850	1.403	1.040	31.990	33.055
Australia	0.905		0.562	0.954	6.181	0.641	7.037	41.934	8434.09	81.572	1.272	1044.83	3.077	41.513	1.271	0.942	28.964	29.928
Britain	1.612	1.781		1.700	11.008	1.141	12.532	74.681	15020.49	145.274	2.265	1860.77	5.479	73.931	2.263	1.677	51.582	53.300
Canada	0.949	1.048	0.588		6.477	0.671	7.374	43.942	8838.07	85.479	1.332	1094.88	3.224	43.501	1.332	0.987	30.351	31.361
China	0.1465	0.162	0.091	0.154		0.104	1.138	6.784	1364.49	13.197	0.206	169.04	0.498	6.716	0.206	0.152	4.686	4.842
Euro	1.413	1.561	0.876	1.490	9.648		10.983	65.452	13164.42	127.322	1.985	1630.83	4.802	64.795	1.983	1.470	45.208	46.713
Hong Kong	0.129	0.142	0.080	0.136	0.878	0.091		5.959	1198.60	11.592	0.181	148.48	0.437	5.899	0.181	0.134	4.116	4.253
India	0.0216	0.0238	0.0134	0.0228	0.1474	0.0153	0.1678		201.13	1.9453	0.0303	24.92	0.0734	0.9900	0.0303	0.0225	0.6907	0.7137
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0097	0.0002	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.076	0.008	0.086	0.514	103.39		0.016	12.81	0.038	0.509	0.016	0.012	0.355	0.367
New Zealand	0.712	0.786	0.442	0.751	4.861	0.504	5.534	32.979	6632.98	64.152		821.71	2.420	32.647	0.999	0.741	22.778	23.537
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0401	8.07	0.0781	0.0012		0.0029	0.0397	0.0012	0.0009	0.0277	0.0286
Malaysia	0.294	0.325	0.183	0.310	2.009	0.208	2.287	13.630	2741.41	26.514	0.413	339.61		13.493	0.413	0.306	9.414	9.728
Philippines	0.022	0.024	0.014	0.023	0.149	0.015	0.170	1.010	203.17	1.965	0.031	25.17	0.074		0.031	0.023	0.698	0.721
Singapore	0.713	0.787	0.442	0.751	4.864	0.504	5.538	33.001	6637.45	64.195	1.001	822.26	2.421	32.669		0.741	22.794	23.553
Switzerland	0.962	1.062	0.596	1.013	6.564	0.680	7.473	44.534	8957.04	86.630	1.350	1109.62	3.267	44.087	1.349		30.760	31.784
Taiwan	0.031	0.035	0.019	0.033	0.213	0.022	0.243	1.448	291.19	2.816	0.044	36.07	0.106	1.433	0.044	0.033		1.033
Thailand	0.030	0.033	0.019	0.032	0.207	0.021	0.235	1.401	281.81	2.726	0.042	34.91	0.103	1.387	0.042	0.031	0.968	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 22, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	298.76	-1.50%	**31.2%**	31.2%
2.40	28	**World (Developed Markets)**	1,166.93	-1.48	**26.8**	26.8
1.80	117	**World Small Cap**	193.15	-1.38	**43.9**	43.9
2.50	23	**Kokusai (World ex-Japan)**	1,148.40	-1.79	**28.7**	28.7
2.90	28	**EAFE**	1,576.31	-1.11	**27.4**	27.4
2.00	20	**Emerging Markets (EM)**	981.16	-1.64	**73.0**	73.0
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	414.50	-1.41	**67.6**	67.6
2.00	24	**AC Far East ex-Japan**	446.61	-1.31	**63.8**	63.8
1.70	35	**Japan**	599.50	1.26	**13.1**	13.1
1.90	21	**China**	62.28	-2.53	**52.7**	52.7
0.80	40	**China A (China Domestic)**	3,259.72	0.42	**87.9**	87.9
2.60	24	**Hong Kong**	9,861.16	-2.07	**50.4**	50.4
0.90	21	**India**	695.66	-2.38	**88.4**	88.4
1.00	17	**Korea**	490.47	0.70	**59.8**	59.8
2.40	20	**Malaysia**	480.71	-0.02	**49.6**	49.6
2.90	18	**Singapore**	1,589.32	-1.30	**59.5**	59.5
2.50	248	**Taiwan**	292.75	-1.04	**68.9**	68.9
2.90	19	**Thailand**	293.34	-2.07	**58.5**	58.5
3.70	26	**Australia**	995.53	-0.75	**30.1**	30.1
5.20	16	**New Zealand**	86.65	0.48	**14.1**	14.1
1.80	33	**US BROAD MARKET**	1,241.84	-1.78	**26.4**	26.4
3.20	18	**EUROPE**	87.74	-1.41	**26.4**	26.4

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Friday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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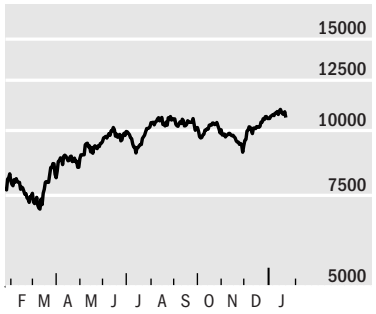
Asian index movers...

Nikkei Stock Average
Japan 10590.55
▼ **2.56% or 277.86**

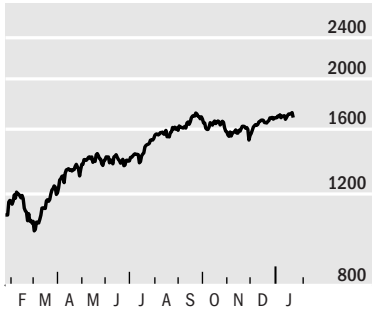
The index had its lowest close of 2010, as falling commodity prices hit resource-related stocks and a stronger yen sank exporters. Toyota Motor fell 3.2%.



Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**205.34**	190	2	1.06
Hitachi	**163.80**	316	7	2.27
Mtshbsh Fin Grp	**161.34**	493	1	0.20
Nomura Hldgs	**58.05**	707	–17	–2.35
SumitomoMitsuiFinl	**42.88**	3,000	–20	–0.66

Kospi
South Korea 1684.35
▼ **2.19% or 37.66**

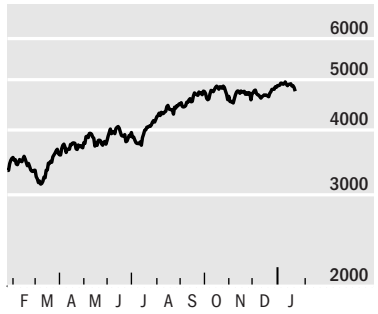
Proposed U.S. bank curbs hit financial stocks. It was the index's biggest percentage loss since Nov. 27. KB Financial fell 3.7%. Samsung Electronics fell 2.9% on profit-taking.



Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**156.67**	425.00	10.00	2.41
Baemyung Metal	**45.54**	1,790.00	100.00	5.92
Samyang Optics	**28.51**	1,610.00	210.00	15.00
Kec	**21.04**	1,380.00	30.00	2.22
Orah Biotics	**15.32**	115.00	15.00	15.00

ASX 200
Australia 4750.61
▼ **1.59% or 76.55**

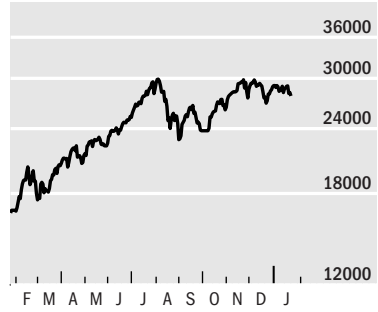
Materials, industrials, financials and energy stocks suffered the biggest declines. BHP Billiton fell 2.3%. Qantas fell 2.0%, while ANZ fell 2.6%



Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**66.28**	0.37	–0.02	–3.90
Telstra	**49.65**	3.37	–0.03	–0.88
GPT Group	**49.12**	0.56	–0.02	–2.63
Goodman Grp-Stpl	**44.93**	0.60	–0.01	–1.64
Qantas Airways	**38.45**	2.91	–0.06	–2.02

CBN 600
China 27745.59
▼ **1.51% or 426.40**

Manufacturers and metal producers led shares lower on continuing concerns about further monetary tightening. Baoshan Iron & Steel slumped 3.3%.



Stock	Volume in millions	Close	Change Net	Change %
Icbc	**340.09**	5.08	0.06	1.20
ChinaMinshengBkg	**276.88**	7.78	0.15	1.97
Constr Bank	**251.82**	6.02	0.13	2.21
China State Con	**249.31**	4.41	–0.02	–0.45
Cn Railway Grp	**200.51**	6.11	0.21	3.56

Asian stocks in the news

Kawasaki Kisen Kaisha
Japan ¥347
▲ **3.0% or ¥10**

The company is expected to report improved earnings for Oct.-Dec. quarter on strong demand.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-139.30**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.5%**	-4.1%	61.2%
Kawasaki Kisen Kaisha	**3.0%**	0.6%	2.4%

OZ Minerals
Australia A$1.20
▲ **3.5% or A$0.04**

On Thursday, the company reported stronger-than-expected full year production.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-1.23**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-2.3%**	-6.1%	89.9%
OZ Minerals	**3.5%**	0.4%	-100.0%

Lenovo Grp
Hong Kong HK$5.65
▲ **4.2% or HK$0.23**

It said its new smart phone using Google's Android platform is on track for a May launch in China.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.28**
Dividend yield	**0.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-2.0%**	-4.7%	83.5%
Lenovo Grp	**4.2%**	-5.8%	318.5%

Denway Motors
Hong Kong HK$4.97
▲ **7.6% or HK$0.35**

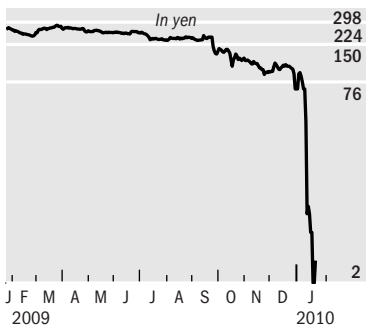
Its parent has filed for a Hong Kong listing and plans to take Denway private afterward.

Price-to-earnings ratio	**16**
Earnings per share, past four quarters	**0.31**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-1.6%**	-2.8%	71.1%
Denway Motors	**7.6%**	8.0%	126.9%

Japan Airlines
Japan ¥3
▲ **50.0% or ¥1**

After falling to 1 yen Thursday, there was buying ahead of the delisting of its shares on Feb. 20.

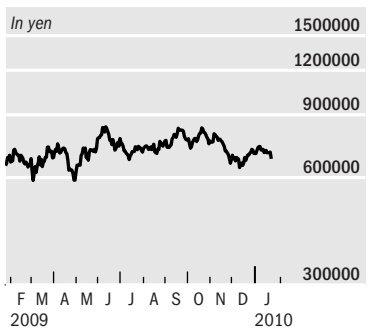


Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**...**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**-0.6%**	-2.0%	15.7%
Japan Airlines	**50.0%**	-57.1%	-98.5%

Inpex
Japan ¥677,000
▼ **4.2% or ¥30,000**

Oil developers were among the worst performers after crude futures fell.



Price-to-earnings ratio	**17**
Earnings per share, past four quarters	**40281.40**
Dividend yield	**0.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-1.6%**	-5.8%	61.6%
Inpex	**-4.2%**	-5.3%	4.5%

Mitsubishi
Japan ¥2,292
▼ **4.5% or ¥108**

Trading houses were among the big losers amid growing concerns over a decline in global liquidity.

Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**156.20**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.5%**	-4.1%	61.2%
Mitsubishi	**-4.5%**	-9.2%	96.1%

Kyocera
Japan ¥8,020
▼ **4.5% or ¥380**

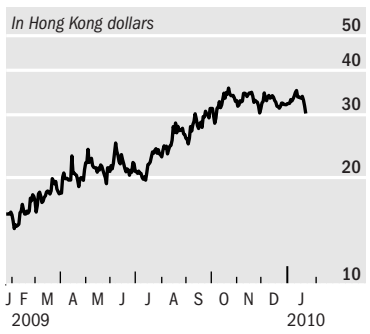
High-tech shares, which buoyed the market the day before, took a beating.

Price-to-earnings ratio	**37**
Earnings per share, past four quarters	**219.50**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.5%**	-4.1%	61.2%
Kyocera	**-4.5%**	-5.8%	41.4%

Li & Fung
Hong Kong HK$30.25
▼ **4.7% or HK$1.50**

Shares continued to tumble after falling more than 5% on Thursday

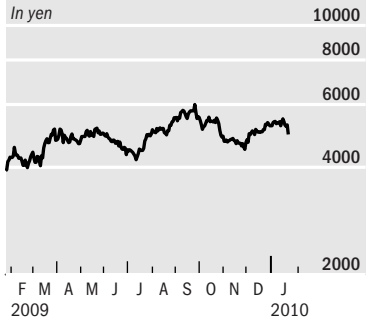


Price-to-earnings ratio	**42**
Earnings per share, past four quarters	**0.72**
Dividend yield	**2.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-0.9%**	-2.3%	35.9%
Li & Fung	**-4.7%**	-9.7%	91.5%

Shin-Etsu Chml
Japan ¥4,945
▼ **6.0% or ¥315**

The company said it expects to post a 50% drop in net profit for this fiscal year.



Price-to-earnings ratio	**27**
Earnings per share, past four quarters	**180.50**
Dividend yield	**2.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Chemicals	**-1.5%**	-3.4%	59.3%
Shin-Etsu Chml	**-6.0%**	-9.6%	26.5%

HEARD ON THE STREET

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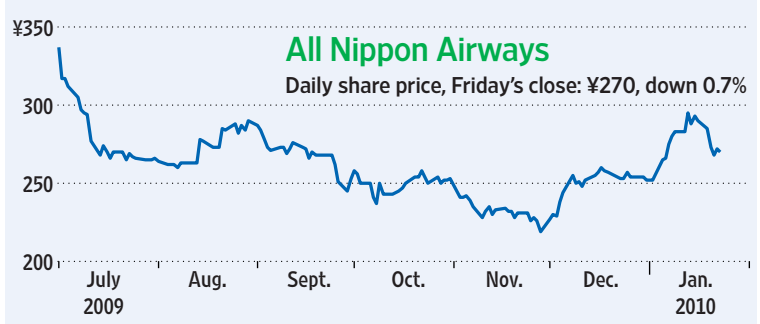
Potential headwinds for ANA

Asked about the impact of the **Japan Airlines** bankruptcy on rival **All Nippon Airways**, analysts have collectively thrown their hands up in the air. In the face of momentous changes to the industry, they're sticking to their "hold" ratings.

Investors have taken a different view. A run-up that began in early December—as investors grew increasingly certain that JAL was heading for bankruptcy court—has ANA shares up 19%, soundly beating the broader Japanese market.

Could a revamped JAL, complete with lower costs, undercut ANA's prices?



Sources: Thomson Reuters Datastream, Agence France-Presse/Getty Images (photo)

Admittedly, this is partly a product of funds looking for another Japanese airline stock to own, and ANA is about the only game in town. But stock buyers are overlooking some big questions about ANA's immediate future.

Could a revamped JAL, complete with lower costs, undercut ANA's prices?

ANA President Shinichiro Ito certainly seems to think so. After meeting the government's aviation chief Wednesday to call for a fair and competitive market following the JAL bailout, Mr. Ito told reporters that he was concerned that JAL could later start a fare war.

Will ANA be forced to fly JAL's money-losing routes?

Despite transport minister Seiji Maehara's comments that air-transport policy in Japan needed restructuring, experts are split on whether Tokyo will shut down unviable airports and lower airport usage fees.

The money for all those airports came directly from high landing fees and fuel taxes. Lowering that burden would be a boon to all carriers using Japanese airports, and consumers.

For its part, ANA says that, at this point, it hasn't been forced to fly loss-making routes that JAL has cut and that it has no intention of taking over JAL's ditched routes as they are now. But Japan's politicians won't sit by quietly and watch their local—even if unviable—airports be closed or routes be dumped.

There is some good news for ANA. Since last autumn, it has been flying with rising load factors, possibly as travelers switched from the financially troubled carrier to the sounder ANA. That should continue.

And the government may decide to give ANA more slots and better schedules when Japan's highly congested airports, Haneda and Narita, are expanded this year, to help even things out after JAL's massive bailout. Already, the ministry allotted ANA more slots than JAL at Haneda, the nation's top domestic airport.

Still, the smarter bet is on more turbulence before blue skies.

—James Simms

Fear is back as Obama leaves markets in a VIX

Fear and greed are the odd couple whose constant squabbling dictates the direction of financial markets.

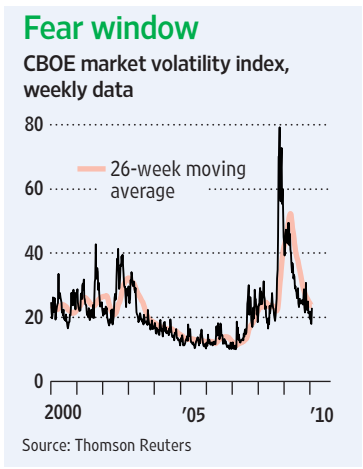
Fear should be gaining the upper hand right about now. It took a pummeling last year as investors recovered their poise surprisingly quickly after the shock of Lehman Brothers' collapse. Risk assets, be they stocks, high-yield bonds or commodities, provided handsome returns in 2009.

But this week delivered a salutary reminder that it is unrealistic to expect a completely smooth recovery from the worst U.S. recession since the Great Depression and a close brush with financial-system meltdown. And risks can materialize from the most unlikely sources: In this case, a surprise Republican victory in Massachusetts.

The wild card of government policy is back with a vengeance. Thursday resounded to the sound of President Obama, bruised by the loss of a critical Senate seat, cracking his knuckles in preparation for a smackdown with Big Finance. Standing with him was regulatory veteran Paul Volcker, suddenly a central figure in the administration again after a year spent on the periphery.

In contrast, Ben Bernanke's reappointment as chairman of the Federal Reserve suddenly looks uncertain. What seemed like a done deal has been thrown into doubt as two more senators said Friday they would vote against Time's Person of the Year 2009. A rejection of Mr Bernanke would signal a big political shift against the largely government-crafted economic and business environment, riddled with bailouts, that investors have become used to over the past year.

This political and economic uncertainty isn't just an American phenomenon. In Europe, Greece's woes have exposed a fundamental flaw in the euro-zone project, namely, its lack of robust mechanisms for keeping member countries' fiscal policies on the straight and narrow.



Source: Thomson Reuters

Meanwhile, in China, upon which the hopes of investors in myriad asset classes hang, politicians are trying to rein in an inflationary burst fueled by easy credit while maintaining economic momentum.

It won't be easy, especially as China's reliance on export-led growth risks provoking a protectionist backlash in developed economies, not least the U.S., suffering from high unemployment and with midterm elections only 10 months away.

This week, the Chicago Board Options Exchange's volatility index, or VIX, jumped 30%. Despite the move, the market's "fear gauge," at about 23 points, remains below its 26-week moving average and is roughly in line with its simple average over the past decade. Investors greedy for more, or at least wanting to hang onto last year's gains, should mix a little fear into their portfolios.

—Liam Denning

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